PACIFIC LEGEND GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8547

ANNUAL REPORT 2020

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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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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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

John Warren MCLENNAN *(Chairman)*
Tracy-Ann FITZPATRICK
(Vice Chairperson and Chief Executive Officer)
MOK Lai Yin Fiona

Non-Executive Director:

Jennifer Carver MCLENNAN

Independent Non-Executive Directors:

Roderick Donald NICHOL
Lale KESEBI
Elaine June CHEUNG
(resigned with effect from 15 January 2021)
SO Alan Wai Shing
(appointed with effect from 23 February 2021)

COMPLIANCE OFFICER

Tracy-Ann FITZPATRICK

AUTHORISED REPRESENTATIVES

Tracy-Ann FITZPATRICK
FU Chi Wing Jason

COMPANY SECRETARY

FU Chi Wing Jason

AUDIT COMMITTEE

SO Alan Wai Shing *(Chairman)*
(appointed with effect from 23 February 2021)
Roderick Donald NICHOL
Lale KESEBI
Elaine June CHEUNG
(resigned with effect from 15 January 2021)

REMUNERATION COMMITTEE

Roderick Donald NICHOL *(Chairman)*
John Warren MCLENNAN
Lale KESEBI
SO Alan Wai Shing
(appointed with effect from 23 February 2021)
Elaine June CHEUNG
(resigned with effect from 15 January 2021)

NOMINATION COMMITTEE

Lale KESEBI *(Chairperson)*
Tracy-Ann FITZPATRICK
Roderick Donald NICHOL
SO Alan Wai Shing
(appointed with effect from 23 February 2021)
Elaine June CHEUNG
(resigned with effect from 15 January 2021)

AUDITOR

Baker Tilly Hong Kong Limited

LEGAL ADVISER AS TO HONG KONG LAW

Stevenson, Wong & Co.

COMPLIANCE ADVISER

Altus Capital Limited

REGISTERED OFFICE

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KY1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 1202–1204,
Level 12, Cyberport 2,
100 Cyberport Road, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited,
Cricket Square, Hutchins Drive, P. O. Box 2681,
Grand Cayman, KY1-1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

PRINCIPAL BANKERS

CMB Wing Lung Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

INVESTOR RELATIONS CONTACT

Email: info@pacificlegendgroup.com

COMPANY WEBSITE

http://www.pacificlegendgroup.com

STOCK CODE

Hong Kong Stock Exchange (GEM): 8547

FINANCIAL HIGHLIGHTS

- The revenue of the Group amounted to approximately HK$219.9 million for the year ended 31 December 2020, representing a decrease of approximately HK$87.8 million or 28.6% as compared with the revenue of approximately HK$307.7 million for the year ended 31 December 2019.

- The loss of the Group after tax was approximately HK$43.8 million for the year ended 31 December 2020 including impairment losses on non-current assets of HK$19.1 million, as compared to a loss of approximately HK$7.8 million for the year ended 31 December 2019.

- No final dividend is recommended by the Board for the year ended 31 December 2020.

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the Board of Directors (the "**Board**"), I am pleased to present the annual report of Pacific Legend Group Limited (the "**Company**") and its subsidiaries (together with the Company (the "**Group**")) for the year ended 31 December 2020.

2020 IN REVIEW

The general market conditions in 2020 continued to be challenging across all of our markets with the outbreak of COVID-19. Overall, the Company reported an increase in loss for 2020 compared to 2019 due primarily to the contracting economies across all our markets due to the outbreak of COVID-19 and the resulting impairment losses of non-current assets. The loss from retail sales was most greatly affected in the first half of the year but rebounded positively for the second half of the year. Corporate sales and projects slowed down for the whole year resulting in underperformance in these areas. To circumvent losses, we continued cost cutting exercises across all our markets.

2021 — LOOKING TO THE FUTURE

Our mission for 2021 will remain the same — to enable our customers and their clients to ***Live Beautifully***. In 2021, we will continue to focus on delivering this promise through continual development of our products and services in all regions, to differentiate ourselves in our markets such as increased B2C design services both in store and online.

The forthcoming financial year is expected to be challenging due to the competitive market conditions in the industry as well as the uncertainty in all our markets as a result of the outbreak of COVID-19 pandemic. These factors will adversely impact our performance for at least the first half of 2021. We will continue to actively cut costs and streamline operations wherever possible to deliver on our strategic development plans and take advantage of growth opportunities as they arise in all regions. For example, we are launching a new furniture brand in Hong Kong aiming at the growing small apartment living market segment. We will also continue to develop the brand to stay aligned with current market trends and technology ensuring we remain ahead of the competitor curve.

CHAIRMAN'S STATEMENT (CONTINUED)

APPRECIATION

The achievements in the past year made our Group require even more drive and focus than usual from the entire staff. On behalf of the Board we would like to thank all the staff for their hard work and dedication. We would also like to thank all our stakeholders, shareholders, suppliers and partners, for their trust and confidence. Finally, we would like to thank our customers for their continued support.

John Warren MCLENNAN
Chairman and Executive Director
Pacific Legend Group Limited

Hong Kong, 26 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

The Group principally operates three lines of business, namely, (i) sale of home furniture and accessories ("**Furniture Sales**", which includes retail, corporate sales, online shops, wholesale and franchise); (ii) rental of home furniture and accessories ("**Furniture Rental**"); and (iii) project and hospitality services ("**Projects**", which typically involve designing, styling, decorating and furnishing commercial or residential properties such as hotels, serviced apartments and showflats).

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2020 (the "**Current Year**") was approximately HK$219.9 million, representing a decrease of HK$87.8 million or 28.6% as compared with the year ended 31 December 2019 (the "**Last Year**") of approximately HK$307.7 million.

The revenue from the Furniture Sales declined by approximately 17.2% from approximately HK$202.2 million in the Last Year to approximately HK$167.4 million in the Current Year. Such decline was mainly related to the decrease in retail business in all locations and corporate sales business in Hong Kong and United Arab Emirates as a result of the impact of the outbreak of COVID-19 pandemic.

In Hong Kong, the retail sales revenue dropped by 9.5% approximately compared to the Last Year. Our retail sales revenue initially seriously suffered in the first quarter owing to the outbreak of COVID-19 and the crowd control orders in early 2020, which brought the shopper traffic in the malls and in the streets to an unprecedentedly low level. The revenue gradually picked up since the second quarter of the year as the public started to live with the pandemic. However, such recovery was affected from time to time by subsequent waves of outbreak and the corresponding adjustments of the crowd control measures. Rent concessions had been given during the year by the landlords of our shops and are subject to regular review. Sonder Living @Indigo operation in Horizon Plaza was closed in July 2020 and integrated into Indigo Atelier showroom on the 8th floor of the same building, accommodating the high end of the Indigo spectrum.

Retail revenue of the two stores in Dubai, the United Arab Emirates (the "**UAE**") continued to be weak, with 17.6% decrease compared to the Last Year. It was similarly impacted by the COVID-19 pandemic. In order to mitigate such shortfall, we focused on eliminating slow moving stock to reinvest our purchasing budget into best-selling items, while our marketing activity has adapted to consumer sentiment. We also enhanced our valued added services by introducing online design consultation during the Current Year.

In Shanghai, our An Fu Lu store was also impacted by COVID-19 pandemic and noted a drop in revenue of approximately 31.7%. To mitigate such downfall, the Group continuously adapted to the changing consumer behaviour after the outbreak of the pandemic by offering both online and offline promotion in order to regain repeat customers and attract new ones. The new store in Jing An District was opened in late third quarter of 2020 with the net proceeds raised from the Listing of the Company.

The Group's performance in online business in the Current Year was levelled with Last Year. We will continue to explore all possible opportunities and offer as customers turned to online shopping following the impact of COVID-19.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Our corporate sales in Hong Kong, which consists mainly of the sales of showflats furniture to property developers, noted a significant decrease in revenue of 30.7% in the Current Year. The pandemic has caused property developers to take a wait-and-see attitude on the residential property market, which delayed the release of, and limited the number and scope of such showflats. We are trying to broaden our products range in order to meet the more competitive market. On the other hand, the Group's franchise business in Saudi Arabia recorded a small decrease of 3.8% in sales revenue.

The revenue from the Furniture Rental decreased by approximately 8.2% from approximately HK$22.5 million in the Last Year to approximately HK$20.7 million in the Current Year. We continue to explore other opportunities in our rental business in order to compensate the impact of the suspension of employee relocation plans following COVID-19 travelling restrictions.

Revenue from the Projects business decrease significantly by approximately 61.7% from approximately HK$83.0 million in the Last Year to approximately HK$31.8 million in the Current Year. Part of the decrease is attributable to the completion of a one-off significant hospitality project in Dubai for a US company in 2019. Moreover, construction delay and city lockdown in certain countries has a direct impact on our confirmed contracts, some of which have been postponed until 2021. Although local project business in Hong Kong still have a steady pipeline in the fourth quarter 2020, they will be dragged on to 2021 or even 2022 owing to the impact of COVID-19.

Gross profit

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

The gross profit of the Group decreased by HK$40.1 million or 22.7% from approximately HK$176.2 million in the Last Year to approximately HK$136.1 million in the Current Year. We saw an increase in overall gross profit percentage from 57.3% in the Last Year to 61.9% in the Current Year due to a relatively higher decline in revenue from Projects business compared to corporate sales, retail and rental revenues, as Projects business operates on a lower margin pricing strategy, in contrast to corporate sales and rental revenue which both have a higher gross profit margin.

Other income and gains

Other income and gains in the Current Year (HK$15.2 million, Last Year HK$3.5 million) include the following (i) a one-off HK$7.3 million from government grants received, including HK$6.7 million from the employee support scheme by Hong Kong SAR Government (Last Year: Nil); (ii) HK$3.7 million from COVID-19-related rent concessions in respect of the Group premises (Last Year: Nil); (iii) HK$1.1 million income from franchising (Last Year: HK$1.8 million); and (iv) exchange gain of HK$1.5 million arising mainly from appreciation of Renminbi (Last Year: exchange loss HK$1.0 million included in administrative and other operating expenses). The foreign exchange gain was mainly attributable to the significant intercompany receivable due from our Shanghai subsidiaries to our Hong Kong group companies, which was denominated in either HK$ and US$ with no hedging arrangements.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Selling and distribution costs

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

The Group's selling and distribution costs decreased by approximately 12.4% from approximately HK$63.8 million in the Last Year to approximately HK$55.9 million in the Current Year.

This decrease of HK$7.9 million was mainly the net result of:

(i) a decrease in sales-related staff costs of HK$3.7 million, from HK$37.7 million in the Last Year to HK$34.0 million in the Current Year;

(ii) a decrease in freight and delivery charges of HK$2.7 million, in line with the decline of sales revenue;

(iii) a decrease of HK$0.9 million on the agency fee paid to the owner of the brand of Sonder Living, owing to the cessation of running of Sonder Living @Indigo in July 2020; and

(iv) savings in advertising and promotion expenses of HK0.7 million.

Administrative and other operating expenses

Our administrative and other operating expenses comprise mainly staff cost (other than the sales teams), rental and related expenses, depreciation on property, plant and equipment (other than those relating to the furniture for rental), amortisation of intangible assets, staff benefits and others. Such expenses decreased by approximately 2.2% from approximately HK$121.1 million in the Last Year to approximately HK$118.5 million in the Current Year. Such decrease is mainly the result of the savings in staff costs (other than sales teams) of approximately HK$4.6 million (from HK$45.4 million in the Last Year to HK$40.8 million in the Current Year) and reduction of exchange loss of HK$1.0 million, net of increase in depreciation of property, plant and equipment and amortisation of intangible assets, totalling HK$3.6 million.

Impairment losses on non-current assets

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Finance costs

The Group finance costs consisted of

(i) bank interest expenses on short term import loan financing of approximately HK$168,000 in the Current Year (Last Year: HK$260,000); and

(ii) Interest expenses of HK$1.5 million (Last Year: HK$1.5 million) on the lease liabilities in respect of the tenancies of certain premises, which the Group has entered into as a lessee.

Loss for the year

Loss attributable to equity shareholders of the Company for the Current Year amounted to approximately HK$43.8 million (Last Year: loss of approximately HK$7.8 million).

The increase in loss was mainly attributable to the net effects of (i) the decrease in gross profit of HK$40.1 million as a result of the decline in revenue; (ii) the increase in other income and gains of HK$11.7 million, mainly related to government grants and COVID-19-related rent concessions; (iii) the savings of selling and distribution costs, administrative and other operating expenses and finance costs as mentioned above totaling HK$10.6 million; (iv) the increase in impairment losses on non-current assets of HK$19.1 million; and (v) the decrease in income tax expense of HK$0.8 million.

TRADE AND OTHER RECEIVABLES

The Group's trade and other receivables as at 31 December 2020 amounted to HK$36.3 million (31 December 2019: HK$57.2 million), which consists of the following:

a) Trade receivables of HK$8.5 million (31 December 2019: HK$18.6 million), net of allowances for doubtful debts of HK$0.4 million (31 December 2019: HK$0.8 million). The decrease was in line with the fall in corporate sales and projects revenues;

b) Trade deposits of HK$8.6 million (31 December 2019: HK$8.7 million) paid to the Group's suppliers before receipts of the inventories purchased. The balances of such trade deposits at any given point of time depend on the progress of the corporate sales and projects (which in turn affects the timing of the purchases of items in respect of such projects) and also the timing of the purchases for seasonal launches and replenishments;

c) Rental and other deposits of HK$10.8 million (31 December 2019: HK$14.2 million). The decrease was mainly attributable to the release of rental deposit of HK$2.9 million in respect of a old warehouse in Ap Lei Chau, the lease of which expired during the Current Year;

d) Prepayments of HK$3.9 million (31 December 2019: HK$12.0 million), the decrease was mainly related to capitalisation as intangible assets of development cost of ERP software of HK$7.8 million, which launched during the Current Year; and

e) Other receivables of HK$4.5 million (31 December 2019: HK$3.7 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

TRADE AND OTHER PAYABLES

The Group's trade and other payables as at 31 December 2020 amounted to HK$21.0 million (31 December 2019: HK$25.8 million), which consists of the following:

a) Trade payables to suppliers of HK$2.3 million (31 December 2019: HK$3.2 million). The decrease was in line with the decline in revenue;

b) Deposits received from customers of HK$3.8 million (31 December 2019: HK$4.1 million);

c) Other payables of HK$5.1 million (31 December 2019: HK$7.4 million), mainly represent credit notes issued, accrued project costs and purchases, the decrease of which was in line with decline in projects revenue; and

d) Accruals of HK$9.7 million (31 December 2019: HK$11.1 million) which consists of staff costs (mainly commission accruals and bonus provision) and accruals of certain expenses of the Group. The decrease was mainly attributable to a reduction of bonus provision amounted to HK$1.5 million.

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 for implementing our future plans as detailed in the heading "Use of Proceeds" below.

The Group had cash and cash equivalents of approximately HK$64.5 million as at 31 December 2020 (31 December 2019: HK$71.6 million). Most of such cash and cash equivalents were denominated in the functional currencies of the countries/regions in which the Group's subsidiaries operate. As at 31 December 2020, the Group had total bank borrowings of approximately HK$4.7 million (31 December 2019: HK$5.4 million). All borrowings were denominated in Hong Kong Dollars with variable interest rates based on HIBOR. The details of the bank borrowings can be referenced to note 18 of the consolidated financial statements.

GEARING RATIO

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

The Group's gearing ratio as at 31 December 2020 was 5.2% (31 December 2019: 4.1%). The increase in the gearing ratio of the Group was primarily resulted from the decrease in total equity following the significant loss for the Current Year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PLEDGE OF ASSETS

As at 31 December 2020 and 2019, a pledged bank deposit of HK$3.0 million was applied as security for the general banking facilities granted to a subsidiary. These facilities were also secured by a corporate guarantee of HK$8.0 million from the Company.

FOREIGN CURRENCY RISK

The Group's sales and direct costs were primarily denominated in the functional currency of the operations to which the transactions are related. The Group's several subsidiaries have intra-group balances which have been eliminated in the consolidated financial statements of which the functional currency of the relevant entities are RMB and AED at the end of the reporting period. Further details of the foreign currency risk in respect of such balanced can be referred to note 24(d) of the consolidated financial statements.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group did not have any significant capital commitments (31 December 2019: Nil).

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, as at 31 December 2020, the Group did not hold any significant investment in equity interest in any other company.

CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, the Group had no significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

USE OF PROCEEDS

The Company intends to utilise such 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 Listing of approximately HK$48.5 million upon the Listing Date.

	Net proceeds to be applied	Approximate percentage of the proceeds	Amount utilised up to 31 December 2020	Unutilised amount up to 31 December 2020
	HK$'000	*%*	*HK$'000*	*HK$'000*
Expand our retail network by opening additional retail stores	28,382	58.6%	6,441	21,941
Enhance our online shop and our information technology capability	3,893	8.0%	3,340	553
Recruitment of additional staff	5,545	11.4%	5,545	–
Recruitment for our planned new retail stores	1,556	3.2%	164	1,392
Increasing our inventory	5,056	10.4%	5,056	–
General working capital	4,043	8.4%	4,043	–
	48,475	100.0%	24,589	23,886

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

COMPARISON OF BUSINESS PLAN WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 December 2020 is set out below:

Business objectives	Actual business progress up to 31 December 2020
Expand our retail network by opening additional retail stores (including additional staff for such stores)	The new store in Shanghai located in Jing An District was opened in September 2020, but the plan of opening more stores as set out in the Prospectus has been delayed due to travel ban arising from COVID-19 pandemic and prevailing market conditions.
Enhance our online shop and our information technology capability	The radio frequency identification system ("**RFID**") have been used in Hong Kong new warehouse in the end-of-year stocktake 2020, but its further development had been put on hold due to COVID-19 pandemic. We have continued the development of, and extend the licenses of Salesforce, a new CRM and Marketing automation software during the year but the progress during the year has been delayed by the COVID-19 pandemic. Salesforce was finally launched in February 2021 to enhance our website capabilities with our customer base.
Recruitment of additional staff	During the course of 2020, we did not recruit any additional staff using the net proceeds from the Listing. Seven staff, five in Hong Kong and two in China, have been primarily hired with the net proceeds from Listing since the Listing Date to support growth areas of design services, back office and e-Commerce activity. Except those funds remaining as to recruiting additional staff for the new stores of HK$1,392,000, the funds reserved for recruiting other additional staff have been fully utilised as at 31 December 2020.
Increasing our inventory	We have continuously been introducing new TMall product for the mainland China market. We will also launch a new furniture brand in Hong Kong in the year 2021 aiming at the growing small apartment living market segment, and trade deposits have been placed for the purchase of such items near the end of 2020. The funds for this objective in the Prospectus have been fully utilised as at 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The remaining net proceeds as at 31 December 2020 had been placed in interest-bearing deposits in banks in Hong Kong.

The expected timeline for utilising the net proceeds from the Listing was based on best estimation of the Board with reference to the then prevailing and future market conditions. However, it is subject to the actual market condition upon implementation. During the Current Year, the global market condition and economic outlook remain uncertain and volatile. As such, the Company has not identified suitable target to expand our retail stores and hence recruit staff for that purpose. No definite timetable is being determined by the Board as to when the unutilised net proceeds will be fully utilised. The Directors will constantly evaluate the Group's business objectives and will change or modify plans against the changing market conditions to ascertain the business growth of the Group.

As at the date of this report, the Directors do not anticipate any change to the plan as to the use of proceeds as previously disclosed.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

EMPLOYEE AND EMOLUMENT POLICIES

As at 31 December 2020, the employee headcount (including executive Directors) of the Group was 196 (31 December 2019: 223) and the total staff costs, including share-based payments and sales commission (including Directors' emoluments) amounted to approximately HK$74.7 million in the Current Year (Last Year: approximately HK$82.5 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. John Warren MCLENNAN ("Mr. MCLENNAN"), aged 58, is an executive Director and the chairman of the Board. He is also a member of our Remuneration Committee. He is our founder and joined the Group in July 2002 as managing director of Options Home Furnishings Limited, which is the predecessor of Indigo Living Limited (currently a subsidiary of the Company). Mr. MCLENNAN is also our creative director and responsible for the overall strategic and creative development of our Group. Furthermore, Mr. MCLENNAN specifically oversees the project businesses of the Group. Mr. MCLENNAN graduated from the University of British Columbia, Vancouver, Canada with a degree of Bachelor of Arts majoring in geography in 1987. Between 1987 and 2002, Mr. MCLENNAN worked at a number of companies in Taiwan and Hong Kong which businesses were related to children toys, premium gifts, education contents and interior design; he gained experience in setting up a business, staff management, quality control, sourcing materials and distribution. Mr. MCLENNAN has more than 18 years of experience in the home furnishing industry. He is the spouse of Mrs. Jennifer Carver MCLENNAN.

Ms. Tracy-Ann FITZPATRICK ("Ms. FITZPATRICK"), aged 54, is an executive Director, chief executive officer and vice-chairperson of the Board. She is also the Compliance Officer of the Group and a member of Nomination Committee. She joined the Group in February 2007 as the director of operations. Ms. FITZPATRICK is responsible for the day-to-day operations of the global business of the Group. She graduated from the University of Otago, New Zealand with a degree of Bachelor of Arts in December 1988. Between 1989 and 2007, Ms. FITZPATRICK worked at a number of companies in New Zealand, Australia and Hong Kong which businesses were related to shipping and logistics; she gained experience in general management, operation, project management and marketing. She has more than 13 years of experience in the home furnishing industry in Asia.

Ms. MOK Lai Yin Fiona ("Ms. MOK"), aged 47, is an executive Director. Ms. MOK joined our Group in December 1999 as our wholesale manager, and has been our rental and project sales director since February 2007. Ms. MOK is responsible for our corporate sales and in particular, working with property developers and hospitality groups to supply, design and furnish showflats, serviced apartments and hotel rooms across Asia. Ms. MOK obtained a professional diploma in business logistics from the University of Hong Kong, School of Professional and Continuing Education in 2005, and graduated from Curtin University of Technology (currently known as Curtin University), Western Australia, Australia with a degree of Bachelor of Commerce in marketing and advertising through long-distance learning in 2009. She has more than 21 years of experience in the home furnishing industry.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

NON-EXECUTIVE DIRECTOR

Mrs. Jennifer Carver MCLENNAN ("Mrs. MCLENNAN"), aged 57, is a non-executive Director. From April 2017 to February 2018, Mrs. MCLENNAN acted as a consultant to our Group. Mrs. MCLENNAN is responsible for assisting the Group in financial strategic planning. She is the spouse of Mr. MCLENNAN and a niece of Mr. John Martin RINDERKNECHT, one of the Controlling Shareholders (see below for definition).

In May 1985, Mrs. MCLENNAN graduated from Pomona College in Claremont, California, USA with a degree in international relations. Mrs. MCLENNAN has more than 12 years of experience in asset management, investment advisory and technology.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Roderick Donald NICHOL ("Mr. NICHOL"), aged 53, has been an independent non-executive Director since 19 June 2018. He is also the chairman of our Remuneration Committee and a member of our Audit and Nomination Committees. He is responsible for giving independent advice to the Board. Mr. NICHOL received a Bachelor of Commerce degree from the University of British Columbia, Vancouver, Canada in 1990, and graduated from London Business School, the University of London, the United Kingdom with a Master of Business Administration degree in 1998. Mr. NICHOL has more than 20 years of experience in the private investments, consulting and investment banking industries, and is currently a director of Lionsgate Capital Limited, a company engaged in private investment and advisory.

Ms. Lale KESEBI ("Ms. KESEBI"), aged 52, was appointed as an independent non-executive Director on 13 June 2019. She is also the chairperson of our Nomination Committee and a member of our Audit and Remuneration Committees. She is responsible for giving independent advice to the Board. She is currently the founder and chief executive officer of Human-at.Work, providing advisory services to other chief executive officers to help them build breakthrough transformation for their organisations. Before founding her own business at Human-at.Work in February 2018, Ms. KESEBI was the chief communication officer and head of strategic engagement for Li & Fung Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 494), from 2003 to February 2018. Ms. KESEBI holds a Bachelor of Laws degree from Schulich School of Law of Dalhousie University, Halifax, Nova Scotia, Canada.

Mr. SO Alan Wai Shing ("Mr. SO"), aged 53, was appointed as an independent non-executive Director on 23 February 2021 for an initial term of one year (and will be subject of retirement rotation and re-election in the forthcoming annual general meeting in accordance with the articles of association of the Company). He is currently the sole proprietor of Alan So & Co., Certified Public Accountants. He has more than 25 years of experience in audit and accounting field and is currently a registered practicing member of the Hong Kong Institute of Certified Public Accountants. From May 2012 to February 2014, he was the chief financial officer and company secretary of Huazhang Technology Holding Limited (a company then listed on the GEM of the Stock Exchange with stock code 8276, now listed on the Main Board of the Stock Exchange with stock code 1673). From August 2016 to October 2019, he was the chief financial officer of Royale Furniture Holdings Limited (a company listed on the Main Board of the Stock Exchange with stock code 1198). Mr. SO holds a bachelor's degree in business majoring in accounting from Edith Cowan University and a master's degree in business administration from The Open University of Hong Kong.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

SENIOR MANAGEMENT

Mr. FU Chi Wing Jason ("Mr. FU"), aged 46, is the Financial Controller and Company Secretary of the Group. He is responsible for overseeing the financial and accounting functions of Hong Kong and UAE regions of the Group. Mr. FU graduated from the Hong Kong Polytechnic University with a degree of Bachelor of Arts in accountancy. He also graduated from the University of London, London, the United Kingdom, with a degree of Bachelor of Laws as an external student through distance learning. Mr. FU has become a member of the Hong Kong Institute of Certified Public Accountants since January 2001. He has become a fellow member of the Association of Chartered Certified Accountants since August 2005. He has been an associate of the Hong Kong Institute of Chartered Secretaries as Chartered Secretary since May 2003 and as Chartered Governance Professional since 2018. Mr. FU has over 24 years of experience in auditing and accountancy. Prior to joining the Group, he had been an audit associate of PricewaterhouseCoopers and finance manager of a carpet manufacturing company listed in the main board of the Stock Exchange.

Mr. Peter Chi Wing FOX ("Mr. FOX"), aged 41, is the Head of Retail of Hong Kong operations. He is responsible for overseeing all aspects of retail sales, operation of Hong Kong. Mr. FOX graduated from the University of London, Royal Holloway in Bachelor of Science in Mathematics and Management in 2002, in London. Mr. FOX has over 18 years of experience in retail specialising in apparel, furniture and home categories in retail operations, buying/merchandising and retail finance. Prior to joining the Group, he had been an global operations manager of the Timothy Oulton Brand, Halo Creative and Design Group in Hong Kong for 6 years, and before that in London, United Kingdom for various retail multiples and department stores such as Tie Rack, Jack Wills, BHS, and Arcadia group.

Mr. SONG Huang Sean ("Mr. SONG"), aged 49, is the General Manager of our China operations. He is also the general manager of Indigo Home Furniture Trading (Shanghai) Limited (因邸高家居商貿(上海)有限公司) and Shanghai Indigo Decoration and Design Works Limited (上海因邸閣裝潢設計工程有限公司), all being wholly owned subsidiaries of the Company. Mr. SONG graduated from Shanghai Jiaotong University, he has over 20 years of experience in Furniture industry in China, including brands such as Bo Concept, Fine Furniture and Lexington Home. Prior to joining the Group, he has been the general manager China of Lexington Home Brands, the subsidiaries of Luolai Lifestyle Technology Co., Ltd (Stock Code: 002293.SE) which is listed A shares of Shenzhen Stock Exchange.

Mr. Gavin Daniel QUILL ("Mr. QUILL"), aged 40, is the General Manager for the Indigo Living LLC in the United Arab Emirates. He is responsible for managing the operational and commercial targets and overseeing all divisions & personnel within the territory. Mr. QUILL has 19 years experience in management, 14 of those years within senior management roles. Prior to joining the group in September 2020, Mr. QUILL has worked for international retail brands in the United Kingdom, Ireland & the U.A.E. such as Debenhams, House of Fraser and Fortnum & Mason. Sectors of experience include retail, online, food & beverage, retail franchising, wholesale & B2B, whilst holding commercial and operational roles at a senior level.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Ms. YOUNG Chiu Yee Mary ("Ms. YOUNG"), aged 42, is the Head of Project Management of the Group. She is responsible for leading our project division and managing an international portfolio of residential and hospitality projects across Asia, Europe and the Middle East. Ms. YOUNG graduated from University College London, the University of London, London, the United Kingdom, with a degree of Bachelor of Science in Architecture, planning, building and environmental studies in August 2000. She then obtained a Master of Science degree in housing (international) from The London School of Economics and Political Science, the University of London, London, the United Kingdom in November 2002. Ms. YOUNG is a qualified chartered surveyor and has been a professional member of the Royal Institution of Chartered Surveyors since December 2009. Ms. YOUNG has over 17 years of experience in quantity surveying and project management. Before joining the Group as senior project manager in April 2011, Ms. YOUNG worked at the London office of Tweeds, a construction consultancy company, from 2003 to 2010 with her last position as a senior quantity surveyor.

Ms. Yvonne Louise LACEY ("Ms. LACEY"), aged 37, is the Head of Buying of the Group. She is responsible for overseeing the buying, merchandise, quality-control and overseeing our furniture design team and coordinating different departments in developing our products. Ms. LACEY graduated from the University of Strathclyde, Glasgow, the United Kingdom with a Master of Engineering/Diploma in Management of Engineers in product design engineering in July 2007. Ms. LACEY has over 13 years of buying experience. Prior to joining the Group as accessories buyer in January 2014, she had been a junior buyer of a department store chain selling clothing and household items and of a retail consumer products company.

DIRECTORS' REPORT

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the "**Year**").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 27 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 85 of this annual report.

The Directors did not recommend the payment of a final dividend for the Year.

BUSINESS REVIEW AND PERFORMANCE

A fair review of the Group's business, a discussion and analysis of the Group's performance during the Year and an analysis of the likely future development of the Group's business are set out in the Management Discussion and Analysis from pages 7 to 16 to this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

Description of the principal risks and uncertainties facing the Group are set out in the note 24 to the consolidated financial statements. The Company's approach on risk management is set out in Corporate Governance Report from pages 39 to 49 of this annual report.

EVENTS AFTER REPORTING PERIOD

On 7 January 2021, the Company and a placing agent entered into a placing agreement to subscribe a maximum of 200,000,000 new ordinary shares (the "**Share(s)**") of the Company at the placing price of HK$0.060 per Share (the "**Placing**"). The new Shares were issued under the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting held on 25 May 2020. The 200,000,000 new Shares, with par value of HK$0.01 each, were placed to not less than six independent placees on 4 February 2021 with net proceeds of approximately HK$11,280,000.

The closing market price per share of the immediately preceding business day of the issue of Placing Shares was HK$0.073. The discount of the issue price to market price was approximately 17.81%.

Details of the Placing are set out in the Company's announcements dated 7 January 2021, 29 January 2021 and 4 February 2021.

The Directors intended to use the entire net proceeds from the Placing as general working capital of the Group.

DIRECTORS' REPORT (CONTINUED)

As at 31 December 2020, the unutilised amount of net proceeds from the Listing was approximately HK$23,886,000. The Directors intend to continue the existing business operations of the Group and given the impact of COVID-19 pandemic resulting in worldwide economic uncertainty, the Directors intends to preserve the unutilised proceeds for the continuing expansion of the Group's retail network once the COVID-19 pandemic is contained and the worldwide economy is recovered. The Directors consider that the Placing will strengthen the Group's financial position and represents an opportunity to raise additional funding for the business operations of the Group (including but not limited to the achievement of the Company's business objectives as set out in the prospectus of the Listing) and will, and enlarge Shareholders' base of the Company which may in turn enhance the liquidity of the Shares, and provide working capital to the Group to meet any financial obligations of the Group without any interest burden, within a relatively shorter time frame and at lower costs when compared with other means of fundraising.

As at the date of this report, the net proceeds from the Placing have not been utilised.

ENVIRONMENT POLICIES AND COMPLIANCE WITH LAWS AND REGULATIONS

In addition, discussion on the key relationships with the Company's key stakeholders, the Group's environmental policies and performance as well as compliance with relevant laws and regulations which have a significant impact on the Group are set out in the Environmental, Social and Governance Report from pages 50 to 76 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of changes in the property, plant and equipment of the Group are set out in note 10 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 22 to the consolidated financial statements.

RETAINED PROFITS

Details of movements in the retained profits of the Group during the Year are set out on page 88 of this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2020, the Company's reserve available for distribution to the shareholders of the Company (the "**Shareholders**") amounted to HK$36,080,000 (2019: HK$48,966,000).

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 152 of this annual report.

DIRECTORS' REPORT (CONTINUED)

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 December 2020 are set out in the consolidated statement of financial position and note 18 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme as defined and disclosed in note 21 to the consolidated financial statements, no equity-linked agreements were entered into by the Company during the Year or subsisted at the end of the Year.

DIRECTORS

The Directors during the Year and up to the date of this annual report were:

Executive Directors:
Mr. John Warren MCLENNAN (Mr. MCLENNAN)
Ms. Tracy-Ann FITZPATRICK (Ms. FITZPATRICK)
Ms. MOK Lai Yin Fiona (Ms. MOK)

Non-Executive Director:
Mrs. Jennifer Carver MCLENNAN (Mrs. MCLENNAN)

Independent Non-Executive Directors:
Ms. Elaine June CHEUNG (Ms. CHEUNG) (resigned with effect from 15 January 2021)
Mr. Roderick Donald NICHOL (Mr. NICHOL)
Ms. Lale KESEBI (Ms. KESEBI)
Mr. SO Alan Wai Shing (Mr. SO) (appointed with effect from 23 February 2021)

Biographical details of the Directors and senior management as at the date of this report are set out from pages 17 to 20 of this annual report. Details of Directors' remuneration are set out in note 8 to the consolidated financial statements.

Pursuant to Article 83(3) of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. Mr. SO Alan Wai Shing who was appointed by the Board with effect from 23 February 2021 will retire at the forthcoming annual general meeting ("**AGM**"), and being eligible, offer himself, for re-election.

Pursuant to Article 84(1) of the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Ms. Tracy-Ann FITZPATRICK and Mrs. Jennifer Carver MCLENNAN will retire by rotation at the forthcoming AGM, and being eligible, offer themselves for re-election.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the Year and up to the date of this annual report are set out below:

Mr. John Warren MCLENNAN*
Ms. Tracy-Ann FITZPATRICK*
Ms. MOK Lai Yin Fiona*
Ms. Alison Siobhan BAILEY
Ms. AU Ching Wai Anya (resigned with effect from 3 March 2021)
(*Also Directors of the Company)

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Group's business were entered into or existed during the Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the heading "Connected Transactions" in this report, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the company or an entity connected with a Director had a material interest, subsisted at the end of the Year or at any time during the Year.

CONTRACTS OF SIGNIFICANCE BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE SUBSIDIARIES

The particulars of the contracts of significance between the Group and the Controlling Shareholders or their respective subsidiaries or the contracts of significance for the provision of services to the Group by the Controlling Shareholders or their respective subsidiaries are set out under the paragraph headed "Connected Transactions" in this report.

PERMITTED INDEMNITY PROVISIONS

During the Year and up to the date of this report, the Company has in force permitted indemnity provisions which are provided for in the Company's Articles of Association and in the Directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against the Directors and the directors of the members of the Group respectively.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

REMUNERATION BANDS OF MEMBERS OF SENIOR MANAGEMENT

Details of the remuneration bands of members of senior management of the Group are set out in note 26(a) to the consolidated financial statements.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 8 to the consolidated financial statements.

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

As at 31 December 2020, 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	Total	Percentage of shareholding *(note 1)*
Mr. MCLENNAN	Interest in a controlled corporation and interest held jointly with other persons *(note 2)*	634,500,000	–	634,500,000	63.45%
Mrs. MCLENNAN	Interest of spouse *(note 3)*	634,500,000	–	634,500,000	63.45%
Ms. FITZPATRICK	Interest in a controlled corporation and interest held jointly with other persons *(note 2)*	634,500,000	–	634,500,000	63.45%
Ms. MOK *(note 4)*	Beneficial interests	–	9,980,000	9,980,000	1.00%

DIRECTORS' REPORT (CONTINUED)

Notes:

(1) The calculation is based on the total number of 1,000,000,000 Shares in issue as at 31 December 2020 (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 disclosed in note 21 to the consolidated financial statements).

(2) Double Lions Limited ("**Double Lions**") is owned as to 40.48% by Mr. MCLENNAN, 20.00% by Ms. FITZPATRICK, 14.88% by Ms. Alison Siobhan BAILEY (Ms. BAILEY), 14.88% by Mr. John Martin RINDERKNECHT (Mr. RINDERKNECHT) and 9.76% by Mr. James Seymour Dickson LEACH (Mr. LEACH) (collectively with Double Lions, 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.

(3) Mrs. MCLENNAN is the spouse of Mr. MCLENNAN and is deemed to be interested in the Shares held by Mr. MCLENNAN by virtue of the SFO.

(4) Share options were granted by the Company to Ms. MOK pursuant to a Share Option Scheme of the Company. The details are set out in note 21 to the consolidated financial statements.

(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. MCLENNAN	Double Lions	Beneficial interest and interest held jointly with other persons *(note 1)*	2,530	40.48%
Ms. FITZPATRICK	Double Lions	Beneficial interest and interest held jointly with other persons *(note 1)*	1,250	20.00%
Mrs. MCLENNAN	Double Lions	Interest of spouse *(note 2)*	2,530	40.48%

Notes:

(1) Double Lions is owned as to 40.48% by Mr. MCLENNAN, 20.00% by Ms. FITZPATRICK, 14.88% by Ms. BAILEY, 14.88% by Mr. RINDERKNECHT and 9.76% by Mr. LEACH. By virtue of acting in concert arrangement as documented and confirmed under the Deed of AIC, each of Mr. MCLENNAN, Ms. FITZPATRICK, Ms. BAILEY, Mr. RINDERKNECHT and Mr. LEACH is deemed to be interested in the entire issued shares of Double Lions under the SFO. Mr. MCLENNAN, Ms. FITZPATRICK and Ms. BAILEY are directors of Double Lions.

(2) Mrs. MCLENNAN is the spouse of Mr. MCLENNAN and is deemed to be interested in the shares of Double Lions held by Mr. MCLENNAN by virtue of the SFO.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the Year 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.

COMPETING INTERESTS

The Company has received an annual confirmation from each of the Directors that they have not carried on any activities which compete or may compete with the business of the Group, nor were there any conflict of interest which each of them and their respective close associates have or may have with the Group during the Year.

As at the date of this report, save as disclosed in the section headed "Relationship with Controlling Shareholders" in 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.

NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

Each of the controlling shareholders of the Company, namely Double Lions, Mr. MCLENNAN, Ms. FITZPATRICK, Ms. BAILEY, Mr. RINDERKNECHT and Mr. LEACH, entered into the Deed of Non-Competition in favour of the Company on 19 June 2018 (the "**Deed of Non-Competition**"), details of which have been set out in the Prospectus.

The Company has received an annual confirmation from the Controlling Shareholders in respect of their compliance with the non-competition undertakings under the Deed of Non-Competition for the Year. The independent non-executive Directors have also reviewed the compliance with the non-competition undertakings under the Deed of Non-Competition by the Controlling Shareholders and confirmed that the Controlling Shareholders have not been in breach of the Deed of Non-Competition during the Year.

DIRECTORS' REPORT (CONTINUED)

CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the Year, which did not constitute connected transactions and were not required to be disclosed under the GEM Listing Rules, are disclosed in note 26 to the consolidated financial statements.

Other related party transactions entered into by the Group in 2020 and up to the date of this annual Report, which fall under the definition of "connected transactions" or "continuing connected transactions" and not exempted under Rule 20.29 and Rule 20.31 of the GEM Listing Rules, are as follows:

(1) Corporate Sales Delivery by Winford Inc. Limited

Winford Inc. Limited ("**Winford**") has been from time to time providing delivery service and manpower support to Indigo Living Limited ("**Indigo HK**"), a wholly-owned subsidiary of the Company. These transactions fall under the definition of continuing connected transactions under the GEM Listing Rules by virtue of the fact that Winford is owned as to 50% by Mr. MCLENNAN, the chairman of the Board, an executive Director and a Controlling Shareholder of the Company. Therefore, Winford is a connected person of the Company under Rule 20.07 of the GEM Listing Rules. In anticipation of the Listing, on 22 June 2018, Indigo HK and Winford entered into a corporate sales delivery service contract (the "**2018 Delivery Service Contract**"), pursuant to which Winford agreed to provide such delivery service and manpower support to Indigo HK for its retail and rental businesses from time to time, with annual caps of HK$3,000,000 for 3 years ending 31 December 2020. Following a review of the transactions with Winford, a supplemental agreement (the "**2018 Supplemental Agreement**") was entered into between Winford and Indigo HK on 28 November 2018 to increase the annual caps of the transactions to (i) HK$3,800,000 for the financial year ending 31 December 2018; (ii) HK$4,200,000 for the year ending 31 December 2019; and (iii) HK$4,500,000 for the year ending 31 December 2020. As disclosed in the announcement of the Company dated 13 December 2019, Winford and Indigo HK entered into a supplemental agreement (the "**2019 Supplemental Agreement**") to increase the annual caps of the transactions to (i) HK$5,200,000 for the financial year ending 31 December 2019 and (ii) HK$5,730,000 for the financial year ending 31 December 2020.

On 7 February 2020, Mr. MCLENNAN's shareholding in Winford was diluted to less than 30% as a result of an allotment of shares by Winford to existing shareholders, and Winford was then no longer a connected person of the Company.

Up to 7 February 2020, the total connected transactions amount with Winford in the Current Year was HK$467,000 (2019: HK$5,126,000).

DIRECTORS' REPORT (CONTINUED)

The Directors, including all the independent non-executive Directors, have reviewed the transactions with Winford confirmed that they have been entered into:

i. in the ordinary and usual course of business of the Group;

ii. either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to independent third parties; and

iii. in accordance with the 2018 Delivery Service Contract as supplemented by the 2018 Supplemental Agreement and the 2019 Supplemental Agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor has reported to the Directors in their letter that based on their work performed:

i. the transactions with Winford have been approved by the Company's Board of Directors;

ii. the transactions with Winford have been entered into in accordance with 2018 Delivery Service Contract, the 2018 Supplemental Agreement and the 2019 Supplemental Agreement; and

iii. the transactions amount with Winford for the Year has not exceeded the revised annual cap amount under the 2019 Supplemental Agreement.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of the connected transactions and continuing connected transactions. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

DIRECTORS' REPORT (CONTINUED)

(2) UAE Transactions

The table below sets forth the connected persons of the Company involved in the UAE Transactions and the nature of their respective connections with the Group:

Name of connected person	Connected relationship
Links Commercial Brokers LLC (the "**UAE Nominee**")	The UAE Nominee is a corporate nominee service provider. The UAE Nominee owns 51% legal interests in Indigo Living LLC ("**Indigo Dubai**") and, through the Contractual Arrangements (as defined below), has enabled our Group to have 100% control over Indigo Dubai. The UAE Nominee is regarded as a connected person of our Company.
Mr. Mohamed Ameen Hasan Mohamed Mubasheri Almarzooqi	Mr. Mohamed Ameen Hasan Mohamed Mubasheri Almarzooqi owns 90% of the UAE Nominee and is therefore a connected person of the Company.
Ms. Maimoona Abdulla Ali Ahmed Alrais	Ms. Maimoona Abdulla Ali Ahmed Alrais is the spouse of Mr. Mohamed Ameen Hasan Mohamed Mubasheri Almarzooqi and is therefore a connected person of the Company.

As disclosed in the section headed "Contractual Arrangements" of Prospectus, the United Arab Emirates (the "**UAE**") laws limits non-Gulf Cooperation Council/UAE Entities to owning no more than 49% of the share capital in a UAE limited company, and the Anti-Fronting Law, on its face, has the effect of prohibiting situations where companies seek to circumvent the 51/49 foreign ownership restrictions. As a result, in order to protect our Group's interests in the UAE, our Group, the UAE Nominee, a limited company incorporated under the laws of the UAE and the registered holder of 51% equity interest in Indigo Dubai and is a corporate nominee services provider pursuant to the Contractual Arrangements, and its shareholders entered into the following two transactions (collectively the "**UAE Transactions**"):

DIRECTORS' REPORT (CONTINUED)

(i) Service Agreement

Pursuant to the terms of a service agreement (the "**Service Agreement**") dated 29 March 2018, the UAE Nominee will assist Deep Ocean SPV and/or Indigo Dubai to obtain and maintain company registration and licenses, apply visas for employees of Indigo Dubai and their respective family members to work and stay in the UAE and assist with other company secretarial and legal matters necessary for Deep Ocean SPV and Indigo Dubai to operate in the UAE.

For the Year, the Group paid the UAE Nominee AED256,000 (approximately HK$540,000) for the above-mentioned services in relation to Indigo Dubai.

(ii) Contractual Arrangement

There are a series of agreements narrowly tailored to provide the Group with control and ownership over Indigo Dubai, achieve the business purposes of the Group, minimise the potential for conflict with the relevant UAE laws and regulations and grant the Group the right to acquire the equity interests of Indigo Dubai when permitted by the UAE laws and regulations.

The series of agreements (the "**Contractual Arrangements**") comprise:

(1) Loan agreement dated 7 March 2018 and entered into among Pacific Legend Development Limited ("**Pacific Legend Development**") as lender, the UAE Nominee as borrower and Deep Ocean SPV (the "**Loan Agreement**") provides that:

(a) Pacific Legend Development lends to the UAE Nominee in the amount of US$10,000 (for subscribing the entire share capital of Deep Ocean SPV) and approximately AED13.9 million (for paying 51% of Indigo Dubai, which value was by reference to the unaudited net asset value of Indigo Dubai as at 31 December 2017).

(b) The loan is interest free.

(c) The UAE Nominee gave an undertaking to Pacific Legend Development including but not limited to the following: (i) not to mortgage, charge, pledge or otherwise encumber the shares of Deep Ocean SPV; (ii) to direct all dividend from Deep Ocean SPV to be paid to Pacific Legend Development; (iii) to keep the 100% shareholding in Deep Ocean SPV isolated from any of the other transactions (including those in the ordinary course of business) of the UAE Nominee; and (iv) not to sell, transfer or otherwise dispose of the shares of Deep Ocean SPV without prior notice and written consent of Pacific Legend Development.

DIRECTORS' REPORT (CONTINUED)

(d) The UAE Nominee shall distribute the dividends, income, assets and capital of Deep Ocean SPV according to the instruction of Pacific Legend Development.

(e) Repayment of the loan may only be made by the UAE Nominee transferring the entire share capital of Deep Ocean SPV to Pacific Legend Development or, where the law permits, to any third party designated in the sole and absolute discretion by Pacific Legend Development.

(f) The Loan Agreement shall remain valid until the loan is fully repaid or upon the happening of (i) material default on the part of the UAE Nominee to observe or perform the terms and conditions of the Loan Agreement, (ii) the UAE Nominee compounds with its creditors in consequence of debt or is being threatened to satisfy the debt of its creditors with any of the assets of the UAE Nominee, (iii) Pacific Legend Development is permitted under the laws of Abu Dhabi Global Market of the Emirates of Abu Dhabi of the UAE ("**ADGM**") or the UAE to hold Indigo Dubai in its own name, or (iv) upon the bankruptcy of the UAE Nominee.

(2) Share charge dated 7 March 2018 entered into by the UAE Nominee in favour of Pacific Legend Development (the "**Share Charge**") under which the UAE Nominee agrees (i) to charge the entire shares in Deep Ocean SPV to Pacific Legend Development as continuing security for the payment of the loans pursuant to the Loan Agreement; (ii) that Pacific Legend Development are entitled to the dividends paid on the shares of Indigo Dubai that are held by the UAE Nominee and/or Deep Ocean SPV; (iii) not to create any security interest over or assign or transfer its rights or obligation under the Share Charge without prior notice to and written consent of Pacific Legend Development; and (iv) Pacific Legend Development shall retain possession of the share certificate of Deep Ocean SPV as securities for the repayment of the loan under the Loan Agreement. On 11 March 2018, the Share Charge was registered with the ADGM pursuant to the ADGM Companies Law Regulations, which also govern the registration and enforcement of charges in the ADGM. Due to such registration, even upon the death of any of the shareholders of the UAE Nominee, the interests of Pacific Legend Development in Indigo Dubai are protected. Until the UAE Nominee repays the loan fully under the Loan Agreement, the UAE Nominee continues to hold 100% of Deep Ocean SPV.

(3) Proxy dated 29 March 2018 entered into by Deep Ocean SPV in favour of Pacific Legend Development (the "**Proxy**") under which Deep Ocean SPV irrevocably appoints the nominee of Pacific Legend Development to be its proxy to vote at shareholders' meetings of Indigo Dubai in respect of any existing or further shares of Indigo Dubai which may have been or may from time to time be issued and/or registered in the name of Deep Ocean SPV.

DIRECTORS' REPORT (CONTINUED)

(4) Special power of attorney notarised on 18 April 2018 and entered into by the UAE Nominee in favour of Pacific Legend Development (the "**SPOA**") under which, pursuant to the terms of the Loan Agreement, the UAE Nominee appointed the nominee of Pacific Legend Development to receive all bonus shares and other rights attaching or accruing to the shares of Deep Ocean SPV including the right to transfer the shares of Deep Ocean SPV to another nominee should the UAE Nominee be in breach of its obligations and grant the power to Pacific Legend Development's directors and their successors (including the rights to vote in a shareholders' meeting of Deep Ocean SPV, sign minutes, file documents with the ADGM; the UAE Nominee shall ensure that the SPOA does not give rise to any potential conflicts of interest.

(5) Undertaking dated 29 March 2018 entered into by the UAE Nominee, Deep Ocean SPV and the shareholders of the UAE Nominee in favour of Pacific Legend Development (the "**Undertaking**") provides that the UAE Nominee irrevocably undertakes the following:

(a) the UAE Nominee will terminate and unwind the Contractual Arrangements as soon as the UAE allows Indigo Dubai to be owned without a local 51% shareholder;

(b) the UAE Nominee will return to Pacific Legend Development any consideration they receive in the event that Pacific Legend Development acquires the 51% of Indigo Dubai from the UAE Nominee; and

(c) the UAE Nominee ensures that the Contractual Arrangements will not give rise to any potential conflicts of interest at Indigo Dubai.

(6) General power of attorney notarised on 3 April 2018 and entered into by Pacific Legend Development and Deep Ocean SPV in favour of Mr. MCLENNAN (the "**GPOA**") to have full rights of management of Indigo Dubai. According to our UAE Legal Advisers, the GPOA was duly notarised and cannot be revoked other than by all the parties to the GPOA.

There was no additional payment from our Group to the UAE Nominee in respect of the Contractual Arrangements.

The Directors believe that the Company's structure whereby Indigo Dubai's financial results are consolidated into the Company's consolidated financial statements as if Indigo Dubai was a wholly-owned subsidiary and the flow of economic benefits from their business to the Company, places the Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions for the purposes of Chapter 20 of the GEM Listing Rules, the Directors consider that it would be unduly burdensome and impracticable and would impose unnecessary administrative costs on us to be subject to strict compliance with the requirements set out under Chapter 20 of the GEM Listing Rules in respect of these continuing connected transactions. Accordingly, the Company has, pursuant to the GEM Listing Rules, applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirements relating to these continuing connected transactions under the GEM Listing Rules. In addition, the Directors confirm that the Company has complied and will continue to comply with the applicable provisions under the GEM Listing Rules.

DIRECTORS' REPORT (CONTINUED)

The Directors, including all the independent non-executive Directors, have reviewed the UAE Transactions and confirmed that they have been entered into:

i. the transactions carried out during such year have been entered into in accordance with the relevant provisions of the UAE Transactions so that the revenue generated by Indigo Dubai have been mainly retained by our Group;

ii. no dividends or other distributions have been made by Indigo Dubai to the holders of its equity interests which are not retained by assigned or transferred to our Group ; and

iii. the UAE Transactions entered into, renewed or reproduced between the UAE Nominee and our Group during the Year are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

The Company's auditor has reported to the Directors in their letter that based on their work performed:

i. the UAE Transactions have received the approval of our Directors;

ii. the UAE Transactions have been entered into in accordance with the relevant UAE Transactions; and

iii. no dividends or other distributions have been made by Indigo Dubai to the holders of its equity interests which are not retained by or assigned or transferred to our Group;

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules in respect of the connected transactions and continuing connected transactions. A copy of the auditor's letters has been provided by the Company to the Stock Exchange.

DIRECTORS' REPORT (CONTINUED)

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2020, 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	Beneficial interest	634,500,000 (L)	63.45%
Mr. David Frances BULBECK	Interest of spouse *(note 3)*	634,500,000 (L)	63.45%
Ms. 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. 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%
Mr. RINDERKNECHT	Interest in a controlled corporation and interest held jointly with other persons *(note 1)*	634,500,000 (L)	63.45%

DIRECTORS' REPORT (CONTINUED)

Notes:

(1) Double Lions is owned as to 40.48% by Mr. MCLENNAN, 20.00% by Ms. FITZPATRICK, 14.88% by Ms. BAILEY, 14.88% by Mr. RINDERKNECHT and 9.76% by Mr. LEACH (collectively, with Double Lions, 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.

(2) The calculation is based on the total number of 1,000,000,000 Shares in issue as at 31 December 2020 (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 set out in note 21 to the consolidated financial statements).

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

(4) Ms. BAILEY and Mr. 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 by virtue of the SFO.

(5) The letter "L" denotes the entity/person's long position in the shares of the Company.

Save as disclosed above, as at Listing Date 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

DIRECTORS' REPORT (CONTINUED)

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and cost of sales attributable to the major customers and suppliers respectively is as follows:

	Percentage of the Group's total	
	Sales	Cost of sales
The largest customer	10.03%	
Five largest customers in aggregate	17.85%	
The largest supplier		9.89%
Five largest suppliers in aggregate		28.25%

At no time during the Year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interest in these major customers and suppliers.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report from pages 39 to 49 of this annual report.

INTERESTS OF THE COMPLIANCE ADVISER

As advised by Altus Capital Limited, at 31 December 2020 and up to the date of this annual report, except for the compliance adviser agreement entered into between the Company and Altus Capital Limited, the compliance adviser of the Company, neither Altus Capital Limited, nor any of its directors, employees or close associates had any interests in relation to the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, there was sufficient public float of at least 25% of the Company's issued Shares as required under the GEM Listing Rules.

CHARITABLE DONATIONS

During the Year, the Group made charitable donation amounting to HK$12,400 (2019: nil).

DIRECTORS' REPORT (CONTINUED)

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CLOSURE OF THE REGISTER OF MEMBERS

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

AUDITOR

The consolidated financial statements for the Year have been audited by Baker Tilly Hong Kong Limited who will retire at the forthcoming AGM and a resolution for their reappointment as auditors of the Company will be proposed thereat.

On behalf of the Board
Tracy-Ann FITZPATRICK
Vice Chairperson, Chief Executive Officer and Executive Director

Hong Kong, 26 March 2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to establishing and ensuring high standards of corporate governance and adopt sound corporate governance practices on the basis of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules.

This Corporate Governance Report is presented for the year ended 31 December 2020 (the "**Year**"). The Directors consider that the Company has complied with all the code provisions set out in the CG Code during the Year.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"). Having made specific enquiry of all the Directors, each of them confirmed that they had complied with the Required Standard of Dealings throughout the Year, and the Company was not aware of any non-compliance with such Required Standard of Dealings and its code of conduct regarding securities transactions by Directors during the Year.

BOARD OF DIRECTORS

Board Composition

As at the date of this report, the Board comprises seven Directors. Details of the composition are as follows:

(i) Executive Directors

Mr. John Warren MCLENNAN (Mr. MCLENNAN) *(Chairman)*
Ms. Tracy-Ann FITZPATRICK (Ms. FITZPATRICK)
(Vice Chairperson and Chief Executive Officer)
Ms. MOK Lai Yin Fiona (Ms. MOK)

(ii) Non-executive Director

Mrs. Jennifer Carver MCLENNAN (Mrs. MCLENNAN)

(iii) Independent non-executive Directors

Ms. Elaine June CHEUNG (Ms. CHEUNG) (resigned with effect from 15 January 2021)
Mr. Roderick Donald NICHOL (Mr. NICHOL)
Ms. Lale KESEBI (Ms. KESEBI)
Mr. SO Alan Wai Shing (Mr. SO) (appointed with effect from 23 February 2021)

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Board had complied with the Rule 5.05 of the GEM Listing Rules to have at least three independent non-executive Directors (who collectively represent at least one-third of the board) and at least one independent non-executive Director has appropriate professional qualifications or accounting or related financial management expertise.

Each of the independent non-executive Director has made an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board considers that all independent non-executive Directors to be independent to the Company and meet the requirements set out in Rules 5.09 of the GEM Listing Rules at the date of this report.

Except that Mrs. MCLENNAN is the spouse of Mr. MCLENNAN, none of the members of the Board has any relationship (including financial, business, family or other material/relevant relations) among each other.

Each of the executive Directors, namely, Mr. MCLENNAN, Ms. FITZPATRICK and Ms. MOK has entered into a service agreement on 19 June 2018 with our Company for an initial term of three years commencing from the date of listing of the Company's shares on GEM of the Stock Exchange (18 July 2018, the "**Listing Date**"). During the initial term, either party to the service agreement shall be entitled to terminate the service agreement by serving not less than three months' written notice upon the other side.

The independent non-executive Directors, namely Mr. NICHOL, and a non-executive Director, namely Mrs. MCLENNAN, have entered into a letter of appointment with the Company on 19 June 2018 and such appointment commenced on the Listing Date. Either party to the letter of appointment shall be entitled to terminate the letter of appointment by serving not less than three months' written notice upon the other side. The independent non-executive Directors, namely Ms. KESEBI, has entered into a letter of appointment with the Company on 13 June 2019. Either party to the letter of appointment shall be entitled to terminate the letter of appointment by serving not less than three months' written notice upon the other side. Ms. CHEUNG has resigned as an independent non-executive Director of the Company with effect from 15 January 2021. The Board has appointed Mr. SO as an independent non-executive Director of the Company with effect from 23 February 2021. The letter of appointment entered into between the Company and Mr. SO commenced on the appointment date. Either party to the service agreement shall be entitled to terminate the service agreement by serving not less than three months' written notice upon the other side.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Roles and Responsibilities of the Board

The Company is headed by the Board which is responsible for the leadership, control and promotion of the success of the Group in the interests of the Shareholders by directing and supervising its affairs and by formulating strategic directions and monitoring the financial and management performance of the Group.

Some of the key responsibilities of the Board include:

— setting the Group's values, vision and mission;

— establishing and maintaining the strategic direction and objectives of the Group;

— monitoring the performance of management;

— ensuring that a framework of prudent and effective controls is in place to enable risks to be assessed and managed; and

— review and approve the quarterly/interim/final financial results of the Company

The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of GEM and the Company. The Board may from time to time delegate certain functions to senior management of the Group if and when considered appropriate. The management of day-to-day operation of the Group's businesses and implementation of the business plans, strategies and policies adopted by the Board has been delegated to the senior management of the Group.

The Company has an experienced and committed management team. All of the executive Directors and our senior management have been serving the Group for an average of 6 years. The executive Directors are also interested in our business outcomes and thus their own interests align with that of the Company. The committed and continued service of our management team allows the Group to execute our business strategy with long term vision and objective without interruption.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Board Meetings and General Meeting

Four board meetings were held during the Year, in which four meetings were held to approve the annual results for the year ended 31 December 2019, and the first quarterly, interim and third quarterly results of 2020, respectively.

The annual general meeting of the Company for the year ended 31 December 2020 (the "**2020 AGM**") was held on 25 May 2020.

The attendance of each of Directors at board meetings during the Year and the 2019 AGM is set out in the table below:

Name of Director	Attendance/ Number of board meetings held	Attendance at 2020 AGM
Executive Directors		
Mr. John Warren MCLENNAN	4/4	1/1
Ms. Tracy-Ann FITZPATRICK	4/4	1/1
Ms. MOK Lai Yin Fiona	4/4	1/1
Non-executive Director		
Mrs. Jennifer Carver MCLENNAN	4/4	1/1
Independent non-executive Directors		
Ms. Elaine June CHEUNG (resigned with effect from 15 January 2021)	4/4	0/1
Mr. Roderick Donald NICHOL	4/4	0/1
Ms. Lale KESEBI	4/4	0/1
Mr. SO Alan Wai Shing (appointed with effect from 23 February 2021)	N/A	N/A

Ms. Elaine June CHEUNG, Mr. Roderick Donald NICHOL and Ms. Lale KESEBI were out of town on the date of AGM and were unable to attend the AGM due to COVID-19 related travel restrictions.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Continuous Professional Development of the Directors

Pursuant to the code provision A.6.5 under Appendix 15 to the GEM Listing Rules, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. The Company has provided relevant materials prepared or published by its legal adviser, professional bodies or regulators to the Directors to keep them abreast of the latest development of legal, regulatory and corporate governance. All Directors have provided records of the training they received to the Company. The trainings included attending experts' briefings, seminars, and/or conferences, and reading materials relevant to the business, corporate governance and directors' duties.

There are also arrangements in place for providing continuing briefing and professional development to Directors whenever necessary. For example, when a Director is newly appointed, he/she will be provided an induction to ensure he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the GEM Listing Rules and the relevant regulatory requirements.

BOARD DIVERSITY POLICY

The Board Diversity Policy of the Company specifies that in designing the composition of the Board, Board Diversity shall be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board members' appointment will be based on meritocracy, and candidates will be considered against appropriate criteria, have due regard for the benefits of diversity of the Board.

NOMINATION POLICY

The Nomination Policy which was adopted by the Board sets out the selection criteria and procedures for the Nomination Committee to select and recommend suitable candidates for directorship with a view to ensuring that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee shall consider a variety of factors in assessing the suitability of a proposed candidate for directorship, including but not limited to the following selection criteria:

— Board Diversity Policy;

— accomplishment and experience appropriate to the requirements of the Company's business;

— commitment in respect of sufficient time, interest and attention to the Company's business;

— compliance with the criteria of independence under the GEM Listing Rules for the appointment of independent non-executive Director; and

— any other relevant factors as may be considered by the Nomination Committee from time to time.

CORPORATE GOVERNANCE REPORT (CONTINUED)

If the Board recognises the need to appoint a new director subject to the provisions in the Company's Articles of Association, the Nomination Committee, with or without assistance from external agencies, shall identify candidates in accordance with the selection criteria set out in the Nomination Policy, evaluate the candidates and recommend to the Board the appointment of the appropriate candidate for directorship. The Board decides the appointment based upon the recommendation of the Nomination Committee and the Board has the final authority on determining suitable director candidate for directorship.

Candidates for appointment as Directors may also be sourced internally or externally through various channels such as using the services of specialist executive search firms. The aim is to appoint individuals of the highest calibre in their area of expertise and experience.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The posts of Chairman and Chief Executive Officer (the "**CEO**") are separate and are not held by the same individual to ensure their independence, accountability and responsibility. The Chairman of the Board is Mr. MCLENNAN and the CEO is Ms. FITZPATRICK. The Chairman takes the lead to oversee the Board functions while the CEO, supported by her management team, is responsible for the day-to-day management of the business of the Company.

BOARD COMMITTEES

Audit Committee

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

Audit Committee Members	Attendance/ Number of meetings
Ms. Elaine June CHEUNG (Chairperson) (resigned with effect from 15 January 2021)	4/4
Mr. Roderick Donald NICHOL	4/4
Ms. Lale KESEBI	4/4
Mr. SO Alan Wai Shing (Chairman) (appointed with effect from 23 February 2021)	N/A

The Audit Committee has also reviewed the consolidated financial statements of the Group for the year ended 31 December 2020 and is of the opinion that such consolidated financial statements complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 5.35 of the GEM Listing Rules and paragraph B1.2 of the CG Code pursuant to a resolution of the Directors passed on 19 June 2018. The primary duties of our Remuneration Committee are to review and approve the management's remuneration proposals, make recommendations to the Board on the remuneration package of the Directors and senior management and ensure none of the Directors determines his/her own remuneration.

The Remuneration Committee comprises Mr. MCLENNAN, being an executive Director, and Mr. SO (appointed with effect from 23 February 2021), Ms. CHEUNG (resigned with effect from 15 January 2021), Mr. NICHOL and Ms. KESEBI of the independent non-executive Directors. Mr. NICHOL is the chairman of the Remuneration Committee.

The Remuneration Committee held three meetings during the Year for the purposes of, among other things, considering and approving the remuneration packages of the senior management. The details of attendance are set out below:

Remuneration Committee Members	Attendance/ Number of meetings
Mr. Roderick Donald NICHOL *(Chairman)*	3/3
Ms. Elaine June CHEUNG (resigned with effect from 15 January 2021)	3/3
Mr. John Warren MCLENNAN	3/3
Ms. Lale KESEBI	1/3
Mr. SO Alan Wai Shing (appointed with effect from 23 February 2021)	N/A

CORPORATE GOVERNANCE REPORT (CONTINUED)

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with paragraph A5.2 of the CG Code pursuant to a resolution of the Directors passed on 19 June 2018. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, and select or make recommendations on the selection of individuals nominated for directorships.

The Nomination Committee comprises Ms. FITZPATRICK, being an executive Director, Mr. SO (appointed with effect from 23 February 2021), Ms. CHEUNG (resigned with effect from 15 January 2021). Mr. NICHOL and Ms. KESEBI of the independent non-executive Directors. Ms. KESEBI is the chairperson of the Nomination Committee.

Pursuant to the terms of reference of the Nomination Committee, there is no mandatory requirement of the minimum number of meetings each year. The Committee members may call any meetings at any time when necessary or desirable. No meeting was held during 2020 until 23 February 2021 when Mr. SO was nominated by the Committee to be appointed independent non-executive Director.

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's responsibilities for the Consolidated Financial Statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements which give a true and fair view of the state of affairs of the Company and the Group's results and cash flows and are properly prepared on a going concern basis in accordance with the applicable accounting standards, with disclosures required under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Company Ordinance**"), and the GEM Listing Rules. The responsibility of the Company's auditor, Baker Tilly Hong Kong Limited is set out in the section headed "Independent Auditor's Report" of this annual report.

The Directors also confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Auditors' remuneration

The remuneration paid to the auditor of the Company, Baker Tilly Hong Kong Limited, for audit and non-audit services for the Year were as follows:

Nature of services	Fees paid/payable *(HK$'000)*
Audit services	803
Other assurance services	38
Other non-audit and assurance services	351
Total	1,192

CORPORATE GOVERNANCE REPORT (CONTINUED)

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the establishment, maintenance and review of the Group's system of internal controls and risk assessment. The Group has established internal control systems including but not limited to corporate governance, operations management, human resources and finance.

Code Provision C.2.5 of the CG Code stipulates that the Group should have an internal audit function. However, taking into account of the size, nature and complexity of the Company's operations, the Group considers that the current organisation structure and management could provide adequate risk management and internal control of the Group. Therefore, the Group does not have an internal audit function during the Year Instead, a review of internal controls systems of different operations was conducted by BT Corporate Governance Limited, an independent external risk advisory firm to ensure the effectiveness and adequacy internal controls system.

The Board also conducted an annual review on the administration and the adequacy of the risk management and internal control systems and considered them adequate and effective during the Year.

The Group has appointed Altus Capital Limited as our compliance adviser to provide advice and guidance to the Company in respect of compliance with the applicable laws and regulations to ensure compliance with the GEM Listing Rules and relevant regulatory requirements.

COMPANY SECRETARY

Mr. FU Chi Wing Jason has been the Company Secretary of the Company since 5 February 2018. The biographical details of Mr. FU is set out under the section headed "Directors and Senior Management" of this Annual Report.

The primary duties of the Company Secretary include, but are not limited to, the following: (i) to ensure the Board procedures are followed and that the activities of the Board are carried out efficiently and effectively; (ii) to assist the Chairman to prepare agendas and Board papers for meetings and disseminate such documents to the Directors and Board committees in a timely manner; (iii) to timely disseminate announcements and information relating to the Group; and (iv) to maintain formal minutes of the Board meetings and other Board committee meetings.

Mr. FU has been in full compliance with the requirements of Rule 5.15 of the GEM Listing Rules during the Year, with no less than 15 hours of relevant professional training.

CORPORATE GOVERNANCE REPORT (CONTINUED)

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting requisitioned by shareholders

Pursuant to the Articles of Association of the Company, the Board may whenever it thinks fit call extraordinary general meetings. Extraordinary general meeting shall be convened on the requisition by one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward enquiries to the Board

Shareholders of the Company may put forward enquiries to the Board in writing to Units 1202–1204, Level 12, Cyberport 2, 100 Cyberport Road, Hong Kong for the attention of the Company Secretary, or contact the Hong Kong Share Registrar of the Company, Tricor Investor Services Limited for any enquiries about their shareholdings and entitlements to dividend.

Procedures for putting forward proposals at Shareholders' Meetings

There is no provision for shareholders to propose resolutions at a general meeting under the Cayman Islands Companies Law. However, shareholders can follow the above procedure and request to convene extraordinary general meeting.

INVESTOR RELATIONS

The Company has established various communication channels with its shareholders and the public. It includes annual general meeting, publishing annual, interim and quarterly reports, announcements and circulars on the websites of the GEM and the Company.

There had been no change to the Articles of Association of the Company for the Year.

CORPORATE GOVERNANCE REPORT (CONTINUED)

DIVIDEND POLICY

The Company has established a dividend policy (the "**Dividend Policy**") which was adopted by the Board to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its profits as dividends to the shareholders of the Company.

In considering the payment of dividends, there shall be a balance between retaining adequate reserves for the Group's future growth and rewarding the shareholders of the Company.

The Board shall also take into account, among other things, the following factors when considering the declaration and payment of dividends:

— the Group's overall results of operation, financial condition, expected working capital requirements and capital expenditure requirements, liquidity position and future expansions plans;

— the amount of retained profits and distributable reserves of the Company;

— general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

— any other factors that the Board may deem relevant and appropriate.

The declaration and payment of dividends by the Company is subject to any restrictions:

— under the Companies Law of the Cayman Islands, the Company's Memorandum and Articles of Association, the GEM Listing Rules and any other applicable laws and regulations; or

— under any financial covenants imposed by the Group's bankers or contracting parties.

The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Dividend Policy shall in no way constitute a legally binding commitment by the Group in respect of its future dividend and/or in no way obligate the Group to declare a dividend at any time or from time to time.

The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend and modify the Dividend Policy at any time.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

SCOPE AND BOUNDARY

Pacific Legend Group Limited (the "Company", together with its subsidiaries, collectively as the "**Group**", "**we**" or "**us**") is pleased to present its Environmental, Social and Governance ("**ESG**") Report. The ESG Report aims to provide an overview of our performance in respect of environmental protection, social involvement, engagement with stakeholders and sustainable development. Relevant figures are recorded and collected from our offices and retail shops in Hong Kong, the United Arab Emirates (the "**UAE**") and the Mainland China (the "**PRC**") from 1 January 2020 to 31 December 2020 (the "**Year**").

REPORTING STANDARDS

The ESG Report is prepared in compliance with the applicable disclosure requirements of Appendix 20 — the Environmental, Social and Governance Reporting Guide (the "**Guide**"), under of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

The report complies with all provisions of "Mandatory Disclosure" and "Comply or Explain", as well as the principles of materiality, quantitative, balance and consistency. In preparing the Report, the Group has adopted the international standards and emission factors specified in the guidance materials on ESG issued by the Stock Exchange for computing the relevant Key Performance Indicators ("**KPIs**"),[1] and there is no change from previous year in the way the Report has been prepared. The application of materiality is detailed in the subsection headed "ESG Management — Materiality Assessment".

SOURCE OF DATA AND RELIABILITY STATEMENT

The information disclosed in the Report is from the Group's internal documents, statistical reports and relevant public materials. The Group undertakes that the Report does not contain any false information, misleading statement or material omission, and takes responsibilities for the contents hereof as to the authenticity, accuracy and completeness.

ACCESS TO THIS ESG REPORT

This ESG Report is written in both English and Chinese, and in case of discrepancy between the two versions, the English version shall prevail.

FEEDBACK AND OPINIONS

We sincerely welcome your feedback on our ESG Report and our sustainability performance, please contact us by any of the following means to share your opinions with us:

Address:
Units 1202- 1204, Level 12, Cyberport 2, 100 Cyberport Road
Hong Kong
Phone: (852) 2552 3500
E-mail: info@pacificlegendgroup.com

[1] How to prepare an ESG Report? - Appendix 2: Reporting Guidance on Environmental KPIs, https://www.hkex.com.hk/-/media/hkex-market/listing/rules-and-guidance/other-resources/environmental-social-and-governance/how-to-prepare-an-esg-report/app2_kpis

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

APPROACH

In order to manage ESG-related risks and opportunities, the Board of Directors of the Company (the "**Board**") takes the initiative to formulate the overall ESG strategy. The management of the Group (the "**Management**") is authorised by the Board to review and monitor the ESG policies and practices of the Group to ensure compliance with relevant legal and regulatory requirements, monitor and respond to emerging ESG issues, and make recommendations to the Board, where appropriate, to improve the ESG performance of the Group.

The Board is dedicated to improving and developing the ESG strategy which is functioning in the best interests of our stakeholders. Under the section "Stakeholders' Engagement", the mechanism and the logic of stakeholders' involvement in developing our ESG strategy are clearly stated.

We incorporate the concept of sustainability into our ESG strategy and day-to-day operations. We believe that prudent management of environmental and social issues is a key factor in long-term success in this rapidly changing world. To address the global concern about climate change that affects not only the environmental systems but also our daily lives, the Group has considered the climate-related issues and incorporated them into our risk management system to enhance our resilience and adaptive capacity to potential climate change impacts. All potential risks that may have impact on the Group's businesses will be covered and evaluated in the annual enterprise risk assessment. With better understanding of the risks and opportunities regarding environmental protection, the Group endeavors to reduce wastage, preserve the planet for future generations, and respond to the regulatory authorities' expectations for environmental protection.

We believe that "***Live Beautifully***" is not only our business philosophy, but an ultimate goal for the mankind. With continuous improvement, we aim to go forward together with our stakeholders towards a more sustainable future and a good quality of life for both today's and future generations.

GOVERNANCE STRUCTURE

Board	• The Board is responsible for the overall decision-making, oversees the formulation, administration, and assessment of the ESG system.
Functional Department	• Functional department is responsible for the execution of implemented measures to achieve the set strategies and targets.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

STAKEHOLDERS' ENGAGEMENT

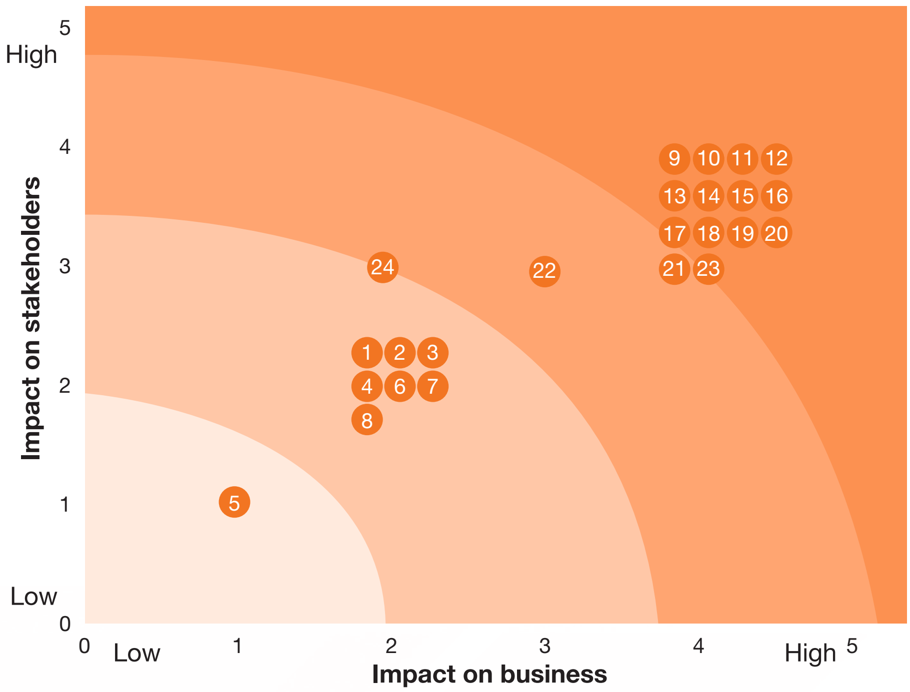
We believe that communication with stakeholders plays an important role in sustaining our business success, so we actively seek to understand and interact with our stakeholders including but not limited to the suppliers, customers, employees, investors and government. Through continuous communication with our stakeholders, we come to understand the points of concern of each of them through different channels in order to develop mutually beneficial relationships and promote sustainability. We would like to align our ESG strategy with the stakeholders' expectations and concerns, and also balance the interests among the Group and our stakeholders. The topics that stakeholders may be concerned about and the ways we communicate and respond are listed below:

Stakeholders	Probable Points of Concern	Communication and Responses
Hong Kong Exchanges and Clearing Limited ("HKEX")	Compliance with the GEM Listing Rules, and timely and accurate announcements.	Meetings, training, workshops, programs, website updates, and announcements.
Government	Compliance with laws and regulations, preventing tax evasion, and social welfare.	Interaction and visits, and tax returns and other information.
Investors	Transparency, corporate governance, business strategies and performances, sustainable profitability, and investment returns.	Shareholders' meetings, issue of financial reports or operation reports for investors, and timely disclosure.
Media & Public	Corporate governance, environmental protection, and human rights.	Issue of newsletters on the Company's website.
Suppliers	Payment schedule, and stable demand.	Regular meetings, supplier conferences, phone calls and interviews.
Customers	Service quality, reasonable prices, commercial credibility, product safety, and personal data protection	After-sales services, clients' enquiries handling mechanism, rapid website updates.
Employees	Rights and benefits of employees, compensations, training and development, and working environment.	Conducting union activities, training, interviews with employees, and employee suggestion boxes.
Community	Community environment, employment opportunities, community development, and social welfare.	Participation in community activities, employee voluntary activities, and community welfare subsidies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

MATERIALITY ASSESSMENT

The Group has identified ESG issues that have potential or actual impact on its sustainable development from various sources, such as issues identified in previous ESG report, internal policies, industry trends and the Sustainability Accounting Standards Board's Materiality Map[2]. The ESG issues have been analysed with reference to an array of factors, including the Group's overall strategy, development, and goals and targets. The Group has conducted a materiality assessment to rate the identified ESG issues that are pertinent to its business and stakeholders, and their respective level of impact. The ESG issues have been prioritised as follows:



	ESG Issues		ESG issues
1	Emission	13	Development and Training
2	Greenhouse Gas Emission	14	Labour Standards
3	Non-Hazardous Waste	15	Supply Chain Management
4	Energy Consumption	16	Supplier Location
5	Water Consumption	17	Supplier Engagement
6	Packaging Material Consumption	18	Product Responsibility
7	Environment & Natural Resources	19	Product Related Complaints
8	Climate Change	20	Intellectual Property
9	Employment	21	Quality Assurance
10	Employee Turnover	22	Privacy Protection
11	Health and Safety	23	Anti-corruption Awareness
12	Work Injuries	24	Community Investment

[2] Sustainability Accounting Standards Board's Materiality Map, https://materiality.sasb.org/

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

OUR BUSINESS

With more than 40 years of dedication, development and expansion, we have been trading under our current brand "Indigo" since 2004. In addition to the Hong Kong market, we have established subsidiaries in the UAE and the PRC for conducting business in the respective regions. We primarily operate 3 business lines to suit the needs of both our retail and corporate clients, namely, (1) sale of home furniture and accessories, (2) rental of home furniture and accessories, and (3) project and hospitality services.

Under the sale of home furniture and accessories, we have a special line of products especially for kids to capture a niche market position.

A. ENVIRONMENTAL

Environmental Compliance

We comply with all relevant laws and regulations that relate to environmental protection in Hong Kong, the PRC and the UAE which have a significant impact on us, including but not limited to, "Air Pollution Control Ordinance" in Hong Kong, Environmental Protection Law of the People's Republic of China ("中華人民共和國環境保護法"), Atmospheric Pollution Prevention and Control Law of the People's Republic of China ("中華人民共和國大氣污染防治法") and "Federal Law 24 of 1999 for the Protection and Development of the Environment" (the "**Environmental Law**") in the UAE. During the Year, no confirmed non-compliance incidents or grievances were noted by us in relation to environmental issues.

Air Emissions

We are principally engaged in the sale of home furniture and accessories, rental of home furniture and accessories, and provision of interior design services with furniture facilities as well as hospitality services. We have a fleet of vehicles for serving our management team members and transportation of goods from warehouse to customers' designated locations. As such, our major air pollutants are generated from the operation of vehicles. All vehicles are under regular maintenance check to facilitate fuel consumption efficiency, ensure road safety and keep air emissions at its minimum. The major air pollutants emitted from vehicles include nitrogen oxides, sulphur oxides and respiratory suspended particles.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The air pollutants emission during the Year is as follows:

Air Pollutants	Unit	Year ended 31 December 2020 Total	Year ended 31 December 2019 Total
Nitrogen Oxides	g	**385,045.12**	444,866.00
Sulphur Oxides	g	**399.14**	407.27
Particulate Matter	g	**31,063.81**	37,199.90

Greenhouse Gases Emissions

We recognise that greenhouse gas ("**GHG**") emission would lead to climate change which imposes threat to the society and our business operations. As such, we are committed to monitoring and mitigating its effects. GHG emission is mainly resulted from either direct emission from sources that are owned or controlled by us, such as gas exhaust from vehicle fuel combustion; or indirect emissions from the purchased electricity consumed.

The GHG emission[3] during the Year is as follows:

Year ended 31 December 2020

Scope of GHG Emission	Emission Sources	Emission (in tonnes of CO_2e)	Emission (in tonnes of CO_2e) per Locations[4]	Emission (in tonnes of CO_2e) per staff
Scope 1 Direct Emission	Vehicle Fuel Combustion	**70.86**	**3.54**	**0.36**
Scope 2 Indirect Emission[5]	Purchased Electricity	**492.81**	**24.64**	**2.51**
Total GHG Emission		**563.67**	**28.18**	**2.87**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Year ended 31 December 2019

Scope of GHG Emission	Emission Sources	Emission (in tonnes of CO_2e)	Emission (in tonnes of CO_2e) per Locations[4]	Emission (in tonnes of CO_2e) per staff
Scope 1 Direct Emission	Vehicle Fuel Combustion	71.21	3.96	0.32
Scope 2 Indirect Emission[5]	Purchased Electricity	605.68	33.65	2.72
Total GHG Emission		676.89	37.61	3.04

The Group is committed to reduce the impact of its operation on carbon footprints, and aims to maintain the GHG emissions intensity no higher than the current year (2020) level per location and per staff respectively in the next year through adopting the following mitigating measures.

In order to reduce the generation of greenhouse gases, we educate our employees about the concept of energy efficiency. For the details of energy efficient practices, please refer to the section headed "Energy Efficiency".

3 GHG emission includes emission of carbon dioxide (CO_2) and CO_2 equivalent (CO_2e) emissions of other GHG emitted such as methane and nitrous oxide.

4 Locations include retail shops, offices and warehouses which give rise to 20 locations (2019: 18 locations) in total.

5 We currently account for Scope 2 carbon emission (indirect emission from consumption of purchased electricity) only. According to the Sustainability Reports published by HK Electric and CLP in 2020, the carbon footprint per kWh of electricity sold was 0.81 kg and 0.62 kg respectively. According to the Emission Factors for purchased electricity within the PRC, published by National Development and Reform Commission in 2019, the emission factor for Eastern China Regional Grid is 0.7921 t-CO_2/MWh. The carbon dioxide emissions factor applied in the UAE was 0.4818 kg CO_2/kWh for DEWA supplied electricity.

As a result of our measures to mitigate emissions as mentioned above, the emission per location and the emission per staff during the Year was reduced remarkably comparing to last year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Wastes Management

We comply with all relevant laws and regulations in relation to waste management that have a significant impact on us, including but not limited to, “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste” (“中華人民共和國固體廢物污染環境防治法”). No confirmed material non-compliance incidents or grievances in relation to waste management was noted by us.

As our core business is the sale of home furniture and accessories, there is no significant hazardous waste generated during the ordinary course of business operations, and therefore, no data with regard to hazardous waste was recorded during the Year.

On the other hand, the major non-hazardous waste produced by us results from our disposed furniture and paper consumption for administrative work. To minimise the generation of disposed furniture, furniture with minor scratch is sold at discount instead of wasting the materials and dumping it into landfill. We also try to approach some non-governmental organisations and donate furniture to them if they need it.

The wastes generated during the Year is as follows:

Non-hazardous wastes	Unit	Year ended 31 December 2020 Total	Year ended 31 December 2019 Total
Disposed furniture	tonnes	112.22	86.00
Intensity	tonnes per location[4]	5.61	4.78
Intensity	tonnes per staff	0.57	0.39
Copier paper	tonnes	1.23	1.68
Intensity	tonnes per location[4]	0.06	0.09
Intensity	tonnes per staff	0.01	0.01

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Group actively advocates the idea of green and sustainable working environment, and adheres to the principle of "four 'Re' actions in environmental protection" (reduce, reuse, recycle and replace) in our daily operation, aiming to minimise the generation of wastes and make full use of resources. To minimise the generation of disposed furniture, furniture with minor scratch is sold at discount instead of dumping it into landfill. Donation of furniture to non-governmental organisations serves as an opportunity to enhance the resource utilisation.

During the Year, there was an obvious increase in the amount of disposed furniture. This was due to a relocation of warehouse in Hong Kong where clearance of damaged furniture was carried out. The Group will make continuous efforts in maintaining the intensity of disposed furniture and paper consumption no higher than the current year (2020) level per location and per every staff respectively in the next Year.

Furthermore, we are committed to reducing the use of copier paper for internal administrative work. The following measures are adopted in our daily operations:

- Double-sided printing is set as the default settings on computers, and single-sided printing has to be manually selected;
- For any paper that has been used for single-sided printing, it should be reused when there is no confidential information on the printed side of the paper; and
- Staff members are encouraged to circulate documents through electronic means such as email or encrypted universal serial bus.

As a result of our copier paper reduction initiatives as mentioned above, the copier paper consumption during the Year has dropped as compared to the previous year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Use of Resources

In order to uphold sustainability in our daily operations, we are committed to upholding a high environmental standard by incorporating relevant requirements under applicable laws and regulations into our daily practices.

We closely monitor the uses of resources, develop measures to reduce electricity consumption and promote environmental sustainability among employees, to ensure that all employees understand clearly the importance of conserving energy and making full use of the available resources in our operations.

Energy Efficiency

Electricity is mainly consumed for the air-conditioning system, lighting system and electronic office equipment for all of our offices, warehouses and retail shops in Hong Kong, the PRC and the UAE.

Electricity consumption during the Year is as follows:

	Unit	**Year ended 31 December 2020 Total**	Year ended 31 December 2019 Total
Electricity consumption	kWh	**742,007.00**	805,462.00
Intensity	kWh/locations[4]	**37,100.35**	44,747.89

The Group is endeavoured to establish a low-carbon culture and works towards the target of maintaining the total energy consumption intensity no higher than the current year (2020) level per location in the next year.

The outbreak and wide spread of COVID-19 during the Year caused to serious interruption of economic activities especially in Dubai where the lockdown in April and May. Some of our retail shops were unable to open that the electricity consumption was reduced.

We also advocate energy efficiency among our employees, together with us, to raise their awareness of energy saving and preserve the environment. Moreover, we educate our staff members to shut down electronic devices before leaving office. In case where job demands overtime work, staff members need to register with the IT team if they need to keep the electronic devices with power-on after office hours. The IT team monitors the on/off status of each of the electronic devices from backend to ensure that all electronic devices have been switched off properly.

Our staff have developed energy efficient practices. The last staff member who leaves the office or the retail shop is responsible for ensuring that air conditioning system and electronic devices in the office and the retail shop are switched off.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

In choosing electronic devices, energy efficiency is one of the evaluation criteria, and therefore, we check the energy labels for energy saving electronic equipment. Energy efficient products not only consume less energy, but they also help protect the environment and save money in the long run.

As a result of the energy use efficiency initiatives as mentioned above, the total electricity consumption of our Group has reduced in the Year as compared to the previous year.

Water Usage

Water resources are mainly used in offices and retail shops in Hong Kong, the PRC and the UAE. We do not have any issues in sourcing water, and the existing supply of water meets our daily operational needs. Water consumption by the Group is minimal, mainly for the purpose of basic cleaning and sanitation. In order to reduce water wastage, we actively promote water conservation awareness among our employees. For instance, staff are reminded to turn off the faucets tightly after use. As the water charges of some locations are included in the management fees, we are unable to collect and disclose relevant water usage records.

Packaging

Packaging materials such as stretch films and corrugated boards are used by the Group. Consumption of these materials during the Year is summarised as below:

Packaging materials	Unit	Year ended 31 December 2020 Total	Year ended 31 December 2019 Total
Stretch films	tonnes	**8.76**	8.28
Corrugated boards	tonnes	**5.63**	7.89

The usage of packaging materials goes to drastically different way. While the obvious increase in using stretch films was mainly due to the repackaging of the stocks in the process of relocation of warehouse in Hong Kong. As being struck by the COVID-19, we experienced a prolonged downturn in the demand for retail business which in turn little corrugated boards were used.

Environment and Natural Resources

As a furniture retailer, there is no significant consumption of natural resources. Yet we concern about the natural resources consumed along the supply chain by selecting vendors that are environmentally and socially conscious. Details of vendor selection criteria are set out in the section “Supply Chain Management”.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Climate Change

The Group has considered the potential climate-related risks in respect of the recommendations of the Task Force on Climate-related Financial Disclosures, in which potential physical risk and transition risk from climate change may pose adverse financial impacts on the Group's businesses.

Acute physical risk can arise from extreme weather conditions such as flooding and storms and chronic physical risk can arise from sustained high temperature, while transition risk may result from the change in environmental-related regulations or change in customer preferences. Upon evaluation of the potential acute physical risk that may cause disruption to the supply network, our offices and retail stores do not locate in high-risk flood areas and that we maintain a large supplier base so we can source from alternate suppliers in the event of our suppliers being affected by extreme weather conditions. While sustained high temperature may result in an elevation of electricity consumption, the Group has adopted energy conservation measures in managing such risk, which is detailed in the above subsection headed "Environmental — Energy Use Efficiency". As for the potential transition risk, the Group continues to monitor the regulatory environment and the product market to ensure that our products meet customers and regulatory' demand and expectations.

It is expected that potential extreme weather condition, sustained high temperature, change in environmental-related regulations and customer preference do not have a material impact on the Group's operation. Nevertheless, the Group continues to monitor the climate-related risks and implemented relevant measures to minimise the potential physical and transition risks.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

B. SOCIAL

Employment and labour practices

We comply with all relevant laws and regulations in relation to employment in Hong Kong, the PRC and the UAE which have a significant impact on us, including but not limited to, the "Employment Ordinance", the "Minimum Wage Ordinance" and the "Employees' Compensation Ordinance" in Hong Kong, the "Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法)" and the "Labour Law of the People's Republic of China (中華人民共和國勞動法)" in the PRC, and the "The Federal Law No. 8 of 1980 (as amended by Federal Laws No. 24 of 1981, No. 15 of 1985, No. 12 of 1986 and No. 8 of 2007 and Ministerial Decree 764, 765 and 766 of 2015) (the "**UAE Labour Law**") in the UAE. As at 31 December 2020, the Group had approximately 196 employees (2019: 223).

The Group is committed to building a diversified and inclusive working environment to ensure no employees will be discriminated against or deprived of opportunities due to gender, ethnic background, religious belief, colour, sexual orientation, age, marital status or family status in respect of recruitment and promotion. The Group has specially formulated the rules on the equal opportunities of employment and anti-discrimination and harassment procedures to protect the rights of all employees, so that the employees' talents can be reflected on, assessed and rewarded fairly.

The Group strictly opposes and prohibits any form of child and forced labour. To avoid forced and child labour, the Human Resources Department performs detailed interview screening procedures on each candidate. A thorough background check is conducted to verify the authenticity of personal data stated on the application forms by examining the applicants' original identity card and making detailed inquiries to ensure that no child labour can be employed.

If any child labour is discovered, the Group would immediately terminate the contract and investigate the incident. Forced labour is strictly prohibited by the Group with zero tolerance. We shall take disciplinary actions against any employee who are accountable for the causes of the incident. During the Year, the Group did not have any cases of child labour or forced labour.

We have set up human resources policies and procedures in attracting and retaining talents, as well as nurturing an amiable working environment for our staff. We reward and promote individuals based on their performance and development potential. As a non-discriminating employer, we promise to provide equal opportunities for all applicants and employees without consideration of their race, religion, skin colour, nationality, marital status, age, sex, disability, political preference or philosophical belief.

In order to attract and retain high quality staff and to enable smooth operations, we offer various in-house training courses and competitive remuneration packages to our employees with reference to market conditions and individual employees' qualifications and experience. Details of employees' compensation packages and other welfare are stipulated in our staff manual, which is reviewed on a regular basis. The standard working hour of employees are 8 hours per day and 40 hours per week on average with 2 days off. In order to enhance team cohesion and create a harmonious working atmosphere, the Group organises various group activities on a regular basis.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

	Year ended 31 December 2020 Total	Year ended 31 December 2019 Total
Total workforce	**196**	223
Breakdowns by gender		
Female	**94**	108
Male	**102**	115
Breakdowns by age		
<25	**6**	12
25–29	**29**	37
30–39	**83**	88
40–49	**54**	55
>50	**24**	31
Breakdowns by employment type		
Full time	**193**	211
Part time	**3**	12
Breakdowns by geographical location		
Hong Kong	**121**	141
The PRC	**32**	37
The UAE	**43**	45

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

	Year ended 31 December 2020 Total	Year ended 31 December 2019 Total
Overall turnover	**33%**	22%
Turnover rate by gender		
Female	**38%**	26%
Male	**27%**	19%
Turnover rate by age		
<25	**83%**	17%
25–29	**38%**	22%
30–39	**27%**	18%
40–49	**28%**	29%
>50	**46%**	26%
Turnover rate by geographical location		
Hong Kong	**34%**	26%
The PRC	**56%**	24%
The UAE	**12%**	7%

Health and Safety

We comply with all relevant laws and regulations in relation to occupational health and safety that have a significant impact on us, including but not limited to, "Occupational Safety and Health Ordinance" in Hong Kong and "Occupational Health and Safety Policies" as set by the Ministry of Human Resources and Emiratisation in the UAE. During the Year, there was no case of work-related injuries.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

As some of our staff members are working in warehouse with the job requirements of handling bulky furniture, we have set up an occupational safety & health committee to promote occupational safety. The occupational safety & health committee has established the following policies and guidelines to demonstrate the philosophy of "***Live Beautifully***" among our employees.

Warehouse Work Safety Guideline	Safety Guideline for using Movable Ladder	Health & Safety Culture 360
• Staff must wear the provided safety shoes which comply with the EU safety standard (EN 20345:2004 S1P) • Staff must wear protective gloves during work to reduce physical harm and provide protection against injury	• Place and return ladders at a fixed location • Check the ladder against any stain and/or sharp edge or corner • Evaluate if the working location is suitable for placing the ladder	• To promote health and safety among 3 workplaces: warehouses, retail shops and offices • To improve and strengthen 6S strategy • To pursue zero tolerance to any industrial accidents

The Group has contingency measures in place, which outlines the work arrangements in times of crisis such as typhoons, rainstorms and serious communicable disease in the Staff Handbook.

In the midst of coronavirus disease (COVID-19) pandemic, the Group has also adopted measures ensure all practicable preventive and protective measures are in place to minimise occupational risk, including but not limited to employees' and visitors' health declaration, daily temperature check, work from home arrangement, mask wearing and social distancing requirement, provision of masks and sanitisers.

	2020	2019	2018
Number of injuries	0	1	0
Lost days	0	3	0

Over the past three years including the reporting year, there was only 1 reported case of work injury in 2019 resulting in 3 lost day of work. The Group continues to reflect on its existing safety policies and is committed to improve its occupational safety measures nevertheless.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Development and Training

Training and development are crucial to the personal growth of our staff members and the overall development of the Group. We focus on communicating with employees and listening to their feedback. Through establishing various internal communication channels, including formal performance appraisals and regular meetings between the management and employees, we could better understand the needs of our employees. In response to their needs and career aspirations, we provide support to facilitate career development of our staff to equip them with the skills that help pursuing their career goals.

In practice, we encourage our staff members to upgrade their skills and knowledge through various forms of training or further education. In this respect, we subsidy our staff with tuition fees for them to pursue external job-related courses.

Staff are given opportunities to acquire new skills and take up different tasks and responsibilities to build up the necessary experience and skill-sets for future promotion and development purposes. Cross-function training and job rotation are available for staff that have the potentials and passion in exploring new challenges.

During the Year, the details of employee who received trainings are as follows:

	Year ended 31 December 2020 Total
Percentage of employee trained by gender	
Female	56%
Male	44%
Percentage of employee trained by employee category	
Management	2%
Mid-level employee	5%
Junior employee	93%
Average training hours completed per employee by gender	
Female	11.20
Male	14.06
Average training hours completed per employee by employee category	
Management	5.50
Mid-level employee	22.50
Junior employee	11.98

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Labour Standards

We comply with all relevant laws and regulations that have a significant impact on us relating to forced and child labour, including but not limited to, "Employment Ordinance" in Hong Kong, "Provisions on the Prohibition of Using Child Labour (禁止使用童工規定)" and "Labour Law of the People's Republic of China (中華人民共和國勞動法)" in the PRC, and the UAE Labour Law.

To avoid forced and child labour, Human Resources and Administration Department performs detailed interview screening procedures on each candidate. A thorough background check is conducted to verify personal data stated on the application forms by examining the applicants' original identity card and making detailed inquiries to ensure that we do not employ child labour.

If the management discovered any child labour, we would immediately terminate the contract and investigate into the incident. Forced labour is strictly prohibited by the Group with zero tolerance. We are serious about child labour and shall take disciplinary actions against any staff members who are accountable for the causes of the incident.

Supply Chain Management

The Group understands that supply chain management has an inseparable relationship with its sustainable development, and is therefore committed to establishing a long-term and harmonious cooperation relationship with its suppliers. We expect our suppliers to uphold the principles of integrity and pragmatism, and provide products and services in strict compliance with the requirements of applicable laws and regulations concerning both environmental and social aspects. The Group has adopted green procurement that suppliers who use wood materials containing recovered or recycled wood or source wood materials originated from sustainably managed forest which is certified by internationally recognised standard are highly preferable.

The Group also requires full compliance of suppliers with local laws and regulation.

In order to standardise the procurement procedures and strengthen the monitoring and management of suppliers, the Group has established the Supplier Management Standard Operating Procedure, which includes key measures such as assessments done by multiple teams prior to accepting a supplier as an approved supplier, and also on-going assessments and regular inspections of our approved suppliers.

As mentioned, we select vendors that are also environmental and socially conscious. In order to understand the daily operations of the suppliers, our team visits their factories regularly, and conduct suppliers' evaluation. During the course of suppliers' evaluation, our quality control team, buying and merchandising team, and design team evaluate the performance of the suppliers from different perspectives. Particularly, the quality control team evaluates the facilities of the suppliers as to whether their equipment and operation method can fulfill the generally acceptable environmental standard.

During the Year, we had a total of 318 suppliers, amongst them, 112 suppliers were located in the PRC, 92 suppliers were located in the UAE, 70 suppliers were located in Hong Kong and the remaining 44 suppliers were located in the U.S., Europe and the rest of Asia.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Customer Protection

We comply with all relevant laws and regulations that have a significant impact on us relating to customers' protection, including but not limited to, the "Federal Law No. 24 of 2006 regarding Consumer Protection and the executive regulation as set out in "Cabinet Resolution No. 10 of 2007" (the "**Consumer Protection Laws**") in the UAE, the "Consumer Goods Safety Ordinance" in Hong Kong, and "The Law on Protection of Consumers Rights and Interests" (中華人民共和國消費者權益保護法) in the PRC.

We are committed to provide quality and highly customised furniture that we see safety as one of the key concerns especially for our dedicated brand, "Indigo Living Kids" which is devoted to children's furniture and bedroom accessories. We are committed to complying with "Toys and Children's Products Safety (Additional Safety Standards or Requirements) Regulations" in Hong Kong.

Typically, items custom-designed for kids come with chunky handles and avoid sharp corners or edges, and are colourful. Our kids' furniture collection also meets safety standards in the UK and/or Europe, as we request our suppliers to provide documentary proof of meeting the safety standards of the UK and/or Europe.

Advertising and Labelling

We comply with all relevant laws and regulations that have a significant impact on us relating to the message of our products, including but not limited to, "Trade Descriptions Ordinance" in Hong Kong. We pay attention to our trade description which includes the quantity, the method of manufacture, processing and/or reconditioning, composition, fitness for purpose and place of origin, etc. During the process of our product inspection checking, we particularly check the carton labels to make sure that the label is accurate and not misleading.

Complaint Handling

We treasure opinions and feedback from our customers on the quality and services we provide. Therefore, we have established "Standard Operation Procedures on Complaint Handling" to ensure that all customers' concerns regarding our products or services are handled and resolved promptly and efficiently. Relevant investigation is taken and improvement measure is implemented to improve our product and service quality as well as customer experience.

During the Year, the Group received 683 complaints and all have been resolved after the Group taken the follow-up actions. No products sold or shipped were subject to recalls for safety and health reasons.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Product and Service Responsibility

We have established “Standard Operation Procedures on Quality Control Inspection” to maintain product quality in order to satisfy the expectation of our customers. Suppliers are required to fill in the “Inspection Request Form” to facilitate the inspection check afterwards. Our quality control team conducts pre-shipment inspection to ensure an acceptable product quality level. Inspection is carried out according to MIL-STD-105 standard with level II adopted as our inspection level. We adopt a rigorous quality acceptance standard to avoid receiving defective goods which may be dangerous to consumers or result in a hazardous or unsafe condition to the environment. We insist on a various checking criteria ranging from product safety, product appearance, and product basic function to shipping marks.

We also have a traceability record system in place, all our products are labelled with codes during our production process, which facilitates our easy retrieval of production data with our traceability system. If there are quality issues with our products, our traceability record system enables us to promptly ascertain the source of the defect throughout the production process, identify the defective lot of products and take appropriate remedial measures to rectify the issues and to prevent future recurrence.

To ensure product quality in the long run, damaged goods reports are prepared to record any cases of damaged goods and return items. Monthly meeting is held by merchandising and sales team to review those cases, and then the team follows up with suppliers with the defect rates above industry’s average level.

Data Protection and Privacy

We are committed to protecting data privacy. We act in accordance with applicable data privacy laws that have a significant impact on us when collecting and using personal information provided to us, including but not limited to, “Personal Data (Privacy) Ordinance” in Hong Kong.

Our privacy policy is uploaded to our website which sets out the policies and practices in the collection, use, sharing and protection of customers’ personal information. Any updates or changes in the policy will be uploaded on the website promptly.

We take reasonable precautions to ensure that personal information of our customers remains confidential and we have reasonable security procedures regarding the storage and disclosure of personal information of our customers.

We have adequate measures to protect customers’ personal information from accidental loss or destruction. We also require our service providers to use personal information of our customers on a confidential basis during the process of providing the specified services to us, and to comply with this privacy policy and applicable legislation.

Intellectual Property Rights

We have registered our trademarks which are important to our business. We regularly monitor the control measures to ascertain whether our trademarks are being infringed. We are committed to protecting intellectual property rights which we handle with great care during our daily operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Anti-corruption

We comply with all relevant laws and regulations with regard to anti-corruption in Hong Kong, the PRC and the UAE which have significant impacts on us, including but not limited to, the "Prevention of Bribery Ordinance" in Hong Kong, the "Criminal Law of the People's Republic of China (中華人民共和國刑法)", the "Anti-Money Laundering Law of the People's Republic of China (中華人民共和國反洗錢法)" in the PRC, and the "Articles 234 -239 of Federal Law No. 3/1987" ("**Penal Code**") in the UAE.

We regard honesty, integrity and fair play as our core values that must be upheld by all Directors and staff at all times. Our "Code of Conduct" (the "**Code**") lays out the basic standard of conduct expected of all Directors and staff, and the policy on acceptance of advantage and handling of conflict of interests when dealing with our business. Moreover, we prohibit all forms of bribery and corruption. All Directors and staff are prohibited from soliciting, accepting or offering any bribe in conducting the business affairs, whether in Hong Kong or elsewhere. Since the Group's business is not highly exposed to the risk of corruption, no training of such area was held during the Reporting Period. Yet, the Group is capable of providing and subsidising training of anti-corruption when necessary.

Any Director or staff member in breach of the Code will be subject to disciplinary action, including termination of appointment. Any enquiries about the Code or reports of possible breaches of the Code should be made to the Head of Human Resources. In case of suspected corruption or other criminal offences, a full investigation will then be conducted, disciplinary action will be applied to the employees involved upon confirmation of the occurrence, and may extend to further legal action depending upon the nature and particular circumstances of each report.

The above guidelines have been communicated to all staff, and the company culture composing of openness, accountability and integrity among all Directors and employees has been developed. During the Year, no concluded legal cases regarding corrupt practices were brought against the Group or our employees.

During the Year, We did not involved in any legal cases regarding corruption, and was not aware of any bribery, extortion, fraud, money laundering or other violations.

Community Investment

The Group earnestly fulfils its social responsibilities, actively carries out public welfare activities, and regards public welfare as an important aspect of its corporate culture. During the Year, the Group had donated more than HK$12,000 to different charitable organisations such as the Sovereign Art Foundation Limited in Hong Kong, China Foundation for Poverty Alleviation, China Charities Aid Foundation for Children, One Foundation, China Siyuan Foundation For Poverty Alleviation and China Women's Development Foundation. Apart from monetary donation, the Group had also participated in several areas such as shoe donation organised by Superga and toy donation organised by Green Toysland Limited.

The Group had not organised any community and charity activities during the Year due to the outbreak of COVID-19, which was to ensure the safety for both our employees and the community. The Group will continue to explore more social welfare actions in the future after COVID-19 situation improves and restrictions are lifted.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

HKEX Environmental, Social and Governance Guide Content Index

Aspect	Description	Chapter
A. Environmental		
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Compliance
KPI A1.1	The types of emissions and respective emissions data.	Air Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse Gases Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	(Not applicable)[6]
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Energy Efficiency
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management

6 Hazardous waste produced is minimal in our businesses.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Aspect	Description	Chapter
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources, Energy Efficiency, Water Usage
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Energy Efficiency
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	(Not applicable)[7]
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Efficiency
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Usage
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and Natural Resources
A4 Climate Change		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

7 Our operation does not involve consumption of water in significant quantities. Therefore, we are not disclosing this figure.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Aspect	Description	Chapter
B. Social		
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and labour practices
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment and labour practices
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment and labour practices
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Aspect	Description	Chapter
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Aspect	Description	Chapter
B6 Product and Service Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Customer Protection, Advertising and Labelling, Product and Service Responsibility, Data Protection and Privacy
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Complaint Handling
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Complaint Handling
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product and Service Responsibility
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Data Protection and Privacy
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Year and the outcomes of the cases.	Anti- corruption
KPI B7.2	Description of preventive measures, how they are implemented and monitored.	Anti-Corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-Corruption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Aspect	Description	Chapter
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
PI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Community Investment
PI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

INDEPENDENT AUDITOR'S REPORT

bakertilly
天職國際

TO THE SHAREHOLDERS OF PACIFIC LEGEND GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Pacific Legend Group Limited and its subsidiaries (together the "**Group**") set out on pages 85 to 151, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by The Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Key Audit Matter	How the matter was addressed in our audit
Impairment of property, plant and equipment, intangible assets and right-of-use assets ***Refer to notes 10, 11 and 12 to the audited consolidated financial statements***	
As at 31 December 2020, the Group's carrying amounts of property, plant and equipment, intangible assets and right-of-use assets before the impairment losses were amounted to HK$9,198,000, HK$6,946,000 and HK$26,524,000, respectively were allocated to the cash-generating units ("**CGUs**") to which they belong. In view of the financial performance of certain CGUs during the year, the management of the Group performed impairment assessment on the relevant CGUs which contain certain property, plant and equipment, intangible assets and right-of-use assets by preparing value in use calculations. The value in use calculation requires the Group to estimate the future cash inflows/outflows expected to arise from the CGUs by considering the budgeted sales and gross margins which are based on past performance and management's expectations for future changes in the market and taking into account a suitable discount rate to calculate the respective present value. Based on the management's assessment, impairment losses on property, plant and equipment, intangible assets and right-of-use assets of HK$5,037,000, HK$1,461,000 and HK$12,630,000, respectively, were recognised in profit or loss during the year ended 31 December 2020. We focused on this area due to the significance of the balances and the significant judgements involved in the assessment of the recoverable amount of the CGUs including the assumptions used in the calculations of value-in-use.	Our audit procedures in this area included: • assessing management's identification of CGUs and the allocation of assets to each CGU and assessing the methodology adopted by management in its preparation of the discounted cash flow forecasts with reference to our understanding of the Group's business and the requirements of the prevailing accounting standards; • comparing the most significant inputs used in the discounted cash flow forecasts, including the revenue growth rates and future gross margins, with the historical performance of each CGU, management's budgets and forecasts; • testing the mathematical accuracy of the discounted cash flow model; • considering the disclosures in the consolidated financial statements in respect of the impairment assessment with reference to the requirements of the prevailing accounting standards; and • performing sensitivity analysis of the underlying assumptions and considering the resulting impact on the reasonableness of the impairment assessment for the year and whether there were any indicators of management bias.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

The Key Audit Matter	How the matter was addressed in our audit
Inventory provision ***Refer to note 14 to the audited consolidated financial statements***	
At 31 December 2020, the Group had inventories of HK$36,343,000 (2019: HK$43,726,000) against which a provision of HK$1,908,000 (2019: HK$2,620,000) was made. Inventory provision requires management to make significant accounting estimates and judgements. These include identification of damaged, slow moving and obsolete inventories and assessing the level of allowance required by estimating the net realisable value of inventories, which is the actual or estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. We focused on this area because of the magnitude of inventories and the estimation of the net realisable value of inventories involves a high level of management judgement. These estimations are also subject to uncertainty as a result of change of competitor actions and market conditions.	Our audit procedures in this area included: • assessing the reasonableness of the basis used by management in identifying damaged, slow moving and obsolete inventories; • attending the year end inventory counts to observe the physical conditions of inventories and identify damaged or obsolete inventories; • testing the accuracy of the inventory ageing report, on a sample basis, by checking to the purchase source documents; • testing the net realisable value of inventory items, on a sample basis, to the actual selling price subsequent to the year end; • evaluating the appropriateness of management's assessment on the estimated future utilisation of inventory items having no subsequent sales with reference to their ageing; and • comparing the prior year's estimated inventory provision amount for aged inventory against subsequent sales occurred during the year to identify if significant variance exist in order to evaluate the sufficiency and reasonableness of management's historical estimate on the inventory provision.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

The Key Audit Matter	How the matter was addressed in our audit
Impairment of contract assets and trade receivables ***Refer to notes 15 and 16 to the audited consolidated financial statements***	
At 31 December 2020, the Group's contract assets and trade receivables amounted to HK$7,901,000 (2019: HK$9,722,000) and HK$8,897,000 (2019: HK$19,405,000) with an allowance for expected credit losses of HK$1,469,000 (2019: HK$182,000) and HK$427,000 (2019: HK$817,000), respectively. The Group's loss allowances is measured at an amount equal to the lifetime expected credit losses, which is estimated by taking into account the historical credit loss experience, ageing of the receivables, customers' repayment history and financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. We focused on this area because of assessment of the recoverability of these receivables and recognition of the loss allowances are inherently subjective and require significant management judgement.	Our audit procedures in this area included: • assessing, on a sample basis, whether items in the receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant contracts with customers and sales invoices; • considering the appropriateness of the loss allowances recorded against the receivables and the appropriateness of the Group's loss allowances, with reference to the ageing of receivable balances, economic conditions, concentration of counterparty risk and the past history of debt recovery; and • reviewing subsequent settlement records and challenging management regarding their reasons for not considering a provision against any unsettled past-due balances.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

The Key Audit Matter	How the matter was addressed in our audit
Recognition of revenue from project contracts ***Refer to notes 2(r)(ii) and 15 to the audited consolidated financial statements***	
Revenue from project contracts is recognised progressively over time using the output method, based on direct measurement of the value of the project contract work performed, provided that the value of project contract work performed can be measured reliably. We identified recognition of revenue from project contracts as a key audit matter because the stage of project completion is measured by reference to the value of work carried out to date to the total project contract value including variations in project contract work which involve management's best estimates and judgement.	Our audit procedures in this area included: • comparing, on a sample basis, revenue transactions recorded during the year with the underlying contracts and variation orders (if any), progress reports, invoices and bank-in slips for settled balances and assessing the business substance of the underlying transactions and whether the related revenue had been recognised in accordance with the Group's revenue recognition policies; • obtaining confirmations, on a sample basis, from major customers of the Group to confirm revenue recognised during the year and, for unreturned confirmations, performing alternative procedures by comparing details with project contracts, bank-in slips and other underlying project related documentation; and • checking calculation of stage of completion, on a sampling basis, and performing comparisons between the percentage of completion and the percentage of progress billing on project contracts to identify and investigate any significant differences.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Choi Kwong Yu.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 26 March 2021
Choi Kwong Yu
Practising certificate number P05071

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

(Expressed in Hong Kong dollars)

	Note	2020 *HK$'000*	2019 *HK$'000*
Revenue	4	**219,859**	307,718
Cost of sales		**(83,723)**	(131,495)
Gross profit		**136,136**	176,223
Other income and gains	5	**15,169**	3,469
Selling and distribution costs		**(55,886)**	(63,771)
Administrative and other operating expenses		**(118,493)**	(121,112)
Impairment losses on non-current assets	10	**(19,128)**	–
Loss from operations		**(42,202)**	(5,191)
Finance costs	6(a)	**(1,646)**	(1,781)
Loss before taxation	6	**(43,848)**	(6,972)
Income tax credit/(expense)	7	**18**	(830)
Loss for the year attributable to equity shareholders of the Company		**(43,830)**	(7,802)
Other comprehensive income/(loss)			
Item that may be classified subsequently to profit or loss:			
— Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax		**189**	(46)
Total comprehensive loss for the year attributable to equity shareholders of the Company		**(43,641)**	(7,848)
		HK cents	*HK cents*
Loss per share			
Basic and diluted	9	**(4.38)**	(0.78)

The notes on pages 91 to 151 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	10	4,161	8,585
Intangible assets	11	5,485	–
Right-of-use assets	12	13,894	33,080
Finance lease receivables	13	517	950
		24,057	42,615
Current assets			
Inventories	14	36,343	43,726
Contract assets	15	6,432	9,540
Trade and other receivables	16	36,286	57,151
Current portion of finance lease receivables	13	2,958	2,074
Pledged bank deposits		3,000	3,000
Cash and cash equivalents		64,490	71,607
Tax recoverable		758	839
		150,267	187,937
Current liabilities			
Trade and other payables	17	20,949	25,763
Contract liabilities	15	22,846	24,287
Short term bank loans	18	4,670	5,407
Lease liabilities	19	22,797	22,828
Tax payable		1,040	1,099
		72,302	79,384
Net current assets		77,965	108,553
Total assets less current liabilities		102,022	151,168

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2020
(Expressed in Hong Kong dollars)

	Note	2020 *HK$'000*	2019 *HK$'000*
Non-current liabilities			
Lease liabilities	19	4,623	11,224
Provisions	20	8,283	7,516
		12,906	18,740
NET ASSETS		89,116	132,428
Capital and reserves			
Share capital	22	10,000	10,000
Reserves		79,116	122,428
TOTAL EQUITY		89,116	132,428

Approved and authorised for issue by the board of directors on 26 March 2021.

John Warren MCLENNAN
Director

Tracy-Ann FITZPATRICK
Director

The notes on pages 91 to 151 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Hong Kong dollars)

	Share capital HK$'000	Share premium HK$'000 (note 22 (c)(i))	Share option reserve HK$'000 (note 22 (c)(ii))	Exchange reserve HK$'000 (note 22 (c)(iii))	Other reserve HK$'000 (note 22 (c)(iv))	Accumulated profits HK$'000	Total HK$'000
Balance at 1 January 2019	10,000	67,136	1,234	155	789	58,282	137,596
Loss for the year	–	–	–	–	–	(7,802)	(7,802)
Other comprehensive loss	–	–	–	(46)	–	–	(46)
Total comprehensive loss for the year	–	–	–	(46)	–	(7,802)	(7,848)
Share options lapsed	–	–	(14)	–	–	14	–
Equity settled share-based payment transactions	–	–	2,680	–	–	–	2,680
Balance at 31 December 2019 and 1 January 2020	10,000	67,136	3,900	109	789	50,494	132,428
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(43,830)**	**(43,830)**
Other comprehensive income	**–**	**–**	**–**	**189**	**–**	**–**	**189**
Total comprehensive loss for the year	**–**	**–**	**–**	**189**	**–**	**(43,830)**	**(43,641)**
Share options lapsed	**–**	**–**	**(355)**	**–**	**–**	**355**	**–**
Equity settled share-based payment transactions	**–**	**–**	**329**	**–**	**–**	**–**	**329**
Balance at 31 December 2020	**10,000**	**67,136**	**3,874**	**298**	**789**	**7,019**	**89,116**

The notes on pages 91 to 151 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
Operating activities			
Loss before taxation		**(43,848)**	(6,972)
Adjustments for:			
— Amortisation of intangible assets	6(c)	**772**	–
— Bank interest income	5	**(416)**	(469)
— Finance costs	6(a)	**1,646**	1,781
— Gain on disposal of property, plant and equipment	5	**(54)**	–
— Gain on lease modification	5	**(135)**	–
— Expected credit loss allowance for:			
Contract assets	6(c)	**1,213**	182
Trade receivables	6(c)	**168**	372
Other receivables, deposits and prepayments	6(c)	**(123)**	226
Finance lease receivables	6(c)	**(39)**	48
— Bad debts written off	6(c)	**135**	–
— Depreciation of property, plant and equipment	6(c)	**8,705**	6,185
— Depreciation of right-of-use assets	6(c)	**32,440**	27,561
— Impairment losses on:			
Property, plant and equipment	6(c)	**5,037**	–
Intangible assets	6(c)	**1,461**	–
Right-of-use assets	6(c)	**12,630**	–
— Written off of property, plant and equipment	6(c)	**26**	–
— Reversal of provision for inventories		**(731)**	(617)
— Share-based payment expenses	6(b)	**329**	2,680
— COVID-19-related rent concessions received	5	**(3,705)**	–
— Exchange realignment		**266**	72
Operating profit before changes in working capital		**15,777**	31,049
Increase in finance lease receivables		**(412)**	(6)
Decrease in inventories		**8,114**	1,461
Decrease in trade and other receivables		**20,685**	2,184
Decrease in contract assets		**1,895**	150
Decrease in trade and other payables		**(4,814)**	(2,486)
(Decrease)/increase in contract liabilities		**(1,441)**	1,027
Decrease in provisions		**(240)**	(529)
Cash generated from operations		**39,564**	32,850
Income tax paid		**(19)**	(279)
Net cash generated from operating activities		**39,545**	32,571

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in Hong Kong dollars)

	Note	2020 *HK$'000*	2019 *HK$'000*
Investing activities			
Purchase of intangible assets	11	(7,718)	–
Purchase of property, plant and equipment	10	(9,317)	(3,538)
Bank interest received		416	469
Proceeds from disposals of property, plant and equipment		108	–
Net cash used in investing activities		(16,511)	(3,069)
Financing activities			
Proceeds from new bank loans	23	6,516	11,188
Repayments of bank loans	23	(7,253)	(10,811)
Capital element of lease rentals paid	23	(27,656)	(26,585)
Interest element of lease rentals paid	23	(1,478)	(1,521)
Interest on short term bank loans		(168)	(260)
Net cash used in financing activities		(30,039)	(27,989)
Net (decrease)/increase in cash and cash equivalents		(7,005)	1,513
Cash and cash equivalents at 1 January		71,607	70,214
Effect of foreign exchange rate changes		(112)	(120)
Cash and cash equivalents at 31 December		64,490	71,607

The notes on pages 91 to 151 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

At 31 December 2020, 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. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of consolidated financial statements

The measurement basis used in the preparation of the consolidated financial statements is the historical cost.

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

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

- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKFRS 16, Covid-19-Related Rent Concessions

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

Other than the amendments to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The amendments to HKFRS 3 do not have a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. Impacts of the adoption of the amendments to HKFRS 16 are discussed below:

Amendments to HKFRS 16, Covid-19-Related Rent Concessions

The amendments provide a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("**COVID-19-related rent concessions**") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 5). There is no impact on the opening balance of equity at 1 January 2020.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss.

In the Company's statement of financial position, an investment in a subsidiary is stated as cost less impairment losses (see note 2(h)(ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Decoration and fittings	Over the shorter of the unexpired term of lease or 20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%
Furniture for rental	100%

Where parts of an item of property and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(h)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is as follows:

Software	20%

Both the period and method of amortisation are reviewed annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(h)(ii)). Depreciation is calculated to write off the right-of-use assets on a straight-line basis over the lease term.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leased assets (Continued)

(i) As a lessee (Continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(r)(iii).

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments, contract assets and finance lease receivables

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on financial assets measured at amortised cost (including pledged bank deposits, cash and cash equivalents and trade and other receivables), finance lease receivables and contract assets as defined in HKFRS 15 (see note 2(j)).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and finance lease receivables (Continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate; and

— lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, finance lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial assets measured at amortised cost the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and finance lease receivables (Continued)

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial asset's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial assets, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial assets are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Interest income recognised in accordance with note 2(r)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments, contract assets and finance lease receivables (Continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

The gross carrying amount of a financial asset, finance lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets;

— right-of-use assets; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversal of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchases and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(r)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(h)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(k)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(r)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(r)(v)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(j)).

Receivables are stated at amortised cost using the effective interest method, less allowance for credit losses (see note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the accounting policy set out in note 2(h)(i).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting could be immaterial, in which case they are stated at cost.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the accounting policy for borrowing costs set out in note 2(u).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Share-based payments

The Company operates a share option scheme under which the Group receives services or goods from its directors, employees and other eligible persons as consideration for share options of the Company granted to them. The fair value of the services or goods received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options, which is measured at grant date using the binomial tree model, taking into account the terms and conditions upon which the share options were granted. Where the grantees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the share options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the share option is exercised (when it is transferred to the share premium account) or the share option expires (when it is released directly to accumulated profits).

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (Continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reserve in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economics benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Project contracts

When the outcome of a project contract can be reasonably measured, revenue from the project contract is recognised progressively over time using the output method, based on direct measurement of the value of project contract work performed, provided that the value of project contract work performed can be measured reliably. The value of project contract work performed is measured according to the completion of specific detailed components as set out in the project contract. Variations in project contract work are recognised as project contract revenue to the extent that the modification has been approved by the parties to the project contracts and it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the project contract cannot be reasonably measured, revenue is recognised only to the extent of project contract costs incurred that are expected to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue and other income (Continued)

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term.

(iv) Income from franchising

Franchise income is recognised over time in accordance with the terms of franchise agreements. Income from provision of services to franchisees is recognised at a point in time when services are provided.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of expected credit loss allowance) of the financial asset (see note 2(h)(i)).

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(s) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group's net obligation in respect of long service payments to its employees upon the termination of their employment or retirement when the employee fulfils certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services. The long service payments liabilities are the present values of long service payments obligations less the entitlements accrued under the Group's defined contribution retirement benefit plans that is attributable to contributions made by the Group. Increase in provision for or reversal of provision for long service payments is charged or credited to profit or loss in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (Continued)

The payment for employees' end-of-service benefits due to employees in accordance with the United Arab Emirates (the "**UAE**") Labour Law for their periods of service up to the reporting date. The provision for the employees' end-of-service benefits is calculated based on their current basic remuneration.

Payments to the state-managed retirement benefit schemes for staff in the People's Republic of China (excluding Hong Kong and Macao), (the "**PRC**") and to the Mandatory Provident Fund Scheme for staff in Hong Kong are defined contribution retirement benefit payments and are recognised as expense when employees have rendered services entitling them to the contribution.

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity (see note 2(o)).

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The translation date is the date on which the Company initially recognised such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollar at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollar at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgement:

(i) Subsidiary

As set out in note 27(i), the Group is the legal owner of 49% of the issued share capital of Indigo Living LLC ("**Indigo Dubai**") and has control over it. The Group is entitled to share 80% of Indigo Dubai's profit or loss under the notarised memorandum of association of Indigo Dubai, and the remaining 20% under the contractual arrangements. However, due to the foreign ownership restriction under the UAE law, the relevant contractual arrangements could be unilaterally challenged before a UAE court. So far, the Group has not encountered any interference or encumbrance from any governing bodies in the UAE because of those contractual arrangements. Based upon the view of the Group's UAE legal adviser, the directors believe that the relevant contractual arrangements are enforceable under the relevant laws and regulations in the UAE. Accordingly, Indigo Dubai has been accounted for as a wholly-owned subsidiary of the Group.

(b) Sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(b) Sources of estimation uncertainty (Continued)

(i) Revenue recognition on project contracts

As explained in policy note 2(r)(ii), revenue from project contracts is recognised over time. The revenue and profit recognition on uncompleted projects are dependent on estimating the total outcome of the project contracts, as well as the work done to date. Based on the Group's recent experience and the nature of the activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the project contracts can be reasonably measured. Until this point is reached the related contract assets disclosed in note 15(a) do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(ii) Impairments

In considering the impairment loss that may be required for certain property, plant and equipment, intangible assets and right-of-use assets, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of its fair value less costs of disposal and the value in use. It is difficult to precisely estimate its fair value less costs of disposal because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as revenue and operating costs.

The Group's management determines the provision for impairment of financial assets (including finance lease receivables, trade and other receivables, contract assets and bank balances) on a forward-looking basis. Lifetime ECLs are recognised on finance lease receivables, trade receivables and contract assets using a provision matrix. Other financial assets are considered 12-month ECLs. In making the judgement, management considers available reasonable and supportive forwarding-looking information such as actual or expected significant changes in the operating results of debtors, actual or expected significant adverse changes in business and debtors' financial position. At the end of each reporting period the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

An increase or decrease in the above impairment loss would affect profit or loss in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(b) Sources of estimation uncertainty (Continued)

(iii) Inventory provision

The Group performs regular review of the carrying amounts of inventories with reference to ageing analyses of the Group's inventories, projections of expected future saleability of goods based on management experience and judgement. Based on this review, write down of inventories is made when the carrying amounts of inventories decline below their estimated net realisable value. Due to changes in technological, market and economic environment and customers' preference, actual saleability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(iv) Provisions for long service payments and employees' end-of-service benefits

As explained in notes 20(a) and 20(b), the Group makes provisions for long service payments and employees' end-of-service benefits in accordance with the requirements of the Hong Kong Employment Ordinance and labour laws of the UAE respectively. The Group has based the estimation on its recent employee statistics and adopted certain assumptions in assessing the provisions for long service payments and employees' end-of-service benefits. It is possible that the assumptions adopted by the Group in assessing the provisions for long service payments and employees' end-of-service benefits may not be indicative of the future situation. Any increase or decrease in the provisions would affect profit or loss in future years.

(v) Provisions for reinstatement costs for rented premises

As explained in note 20(c), the Group makes provision for reinstatement costs based on the best estimate of the expected costs to be incurred upon expiry of the relevant rental agreements, which are subject to uncertainty and might differ from the actual costs incurred in the future. Any increase or decrease in the provision would affect profit or loss in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION

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

— Sale of home furniture and accessories

— Rental of home furniture and accessories

— Project and hospitality services

Performance is based on segment gross profit net of impairment losses on non-current assets. The Group's most senior executive management does not evaluate operating segment using assets and liabilities information, so segment assets and liabilities are not reported to the Group's most senior executive management. Accordingly, reportable segment assets and liabilities have not been presented.

NOTES TO THE 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.

For the year ended 31 December 2020

	Sale of home furniture and accessories *HK$'000*	Rental of home furniture and accessories *HK$'000*	Project and hospitality services *HK$'000*	Total *HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15				
— Point in time	167,381	–	–	167,381
— Over time	–	–	31,827	31,827
Revenue from other sources				
— Over time	–	20,651	–	20,651
	167,381	20,651	31,827	219,859
Segment results	85,732	16,157	15,119	117,008
Other income and gains				15,169
Selling and distribution costs				(55,886)
Administrative and other operating expenses				(118,493)
Finance costs				(1,646)
Loss before taxation				(43,848)
Amounts included in the measure of segment profit or loss:				
Impairment losses on non-current assets	18,248	598	282	19,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the year ended 31 December 2019

	Sale of home furniture and accessories *HK$'000*	Rental of home furniture and accessories *HK$'000*	Project and hospitality services *HK$'000*	Total *HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15				
— Point in time	202,189	–	–	202,189
— Over time	–	–	83,021	83,021
Revenue from other sources				
— Over time	–	22,508	–	22,508
	202,189	22,508	83,021	307,718
Segment results	121,667	18,611	35,945	176,223
Other income and gains				3,469
Selling and distribution costs				(63,771)
Administrative and other operating expenses				(121,112)
Finance costs				(1,781)
Loss before taxation				(6,972)

There was no inter-segment revenue for years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from external customers

	2020 *HK$'000*	2019 *HK$'000*
Hong Kong	164,561	215,389
UAE	37,041	63,406
PRC	18,257	28,923
	219,859	307,718

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

Non-current assets

	2020 *HK$'000*	2019 *HK$'000*
Hong Kong	23,201	29,321
UAE	28	5,832
PRC	311	6,512
	23,540	41,665

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Information about major customers

One single customer (which is a property developer and an independent third party) contributed 10% or more of the Group's revenue for the year ended 31 December 2020. Revenue from sale of home furniture and accessories, rental of home furniture and accessories and project and hospitality services for this customer amounted to HK$22,044,000 (2019: HK$62,432,000). Details of concentrations of credit risk arising from this customer are set out in note 24(a).

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

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

5. OTHER INCOME AND GAINS

	2020 *HK$'000*	2019 *HK$'000*
Bank interest income	416	469
Interest income from finance leases	233	169
Income from franchising	1,110	976
Other income from franchisee	–	801
Gains on lease modification	135	–
Government grants received *(note (i))*	7,335	–
COVID-19-related rent concessions received	3,705	–
Gain on disposal of property, plant and equipment	54	–
Net exchange gains	1,450	–
Reversal of provision for long service payments	112	518
Sundry income	619	536
	15,169	3,469

(i) The government grants received represented mainly an amount of HK$6,675,000 being the funding support in 2020 from the Employment Support Scheme under the Anti-epidemic Fund, set up by The Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. Apart from the above, the Group also received an amount of HK$640,000 being the Retail Sector Subsidy Scheme under the Anti-epidemic Fund, set up by The Government of the Hong Kong Special Administrative Region.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. LOSS BEFORE TAXATION

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

	2020 HK$'000	2019 HK$'000
(a) Finance costs:		
Interest on short-term bank loans	168	260
Interest on lease liabilities *(note 23)*	1,478	1,521
	1,646	1,781
(b) Staff costs#:		
Salaries, allowances and commissions	70,857	76,825
Share-based payment expenses *(note 21)*	329	2,680
Retirement benefits scheme contributions	2,630	3,385
Provision for/(reversal of) long service payments and employees' end-of-service benefits, net *(note 20)*	889	(361)
	74,705	82,529

Staff costs are net of reversal of provision for long service payments of HK$112,000 (2019:HK$518,000) which is also included in other income and gains in note 5 above.

	2020 HK$'000	2019 HK$'000
(c) Other items:		
Amortisation of intangible assets *(note 11)*	772	–
Auditors' remuneration	939	991
Provision for/(reversal of) expected credit loss allowance for:		
— Contract assets	1,213	182
— Trade receivables	168	372
— Other receivables, deposits and prepayments	(123)	226
— Finance lease receivables	(39)	48
Bad debts written off	135	–
Cost of inventories recognised as expense *(note 14)*	81,078	128,585
Depreciation of property, plant and equipment *(note 10)*	8,705	6,185
Depreciation of right-of-use assets *(note 12)*	32,440	27,561
Impairment losses on *(note 10)*:		
— Property, plant and equipment	5,037	–
— Intangible assets	1,461	–
— Right-of-use assets	12,630	–
Net exchange loss	–	1,030
Expenses related to short-term leases	5,871	7,059
Written off of property, plant and equipment	26	–
Variable lease payments not included in the measurement of lease liabilities	897	401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX (CREDIT)/EXPENSE

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

	2020 HK$'000	2019 HK$'000
Hong Kong Profits Tax		
— Current year provision	2	850
— Over-provision in respect of prior year	(20)	(20)
	(18)	830

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 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX CREDIT/(EXPENSE) (CONTINUED)

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

	2020 *HK$'000*	2019 *HK$'000*
Loss before taxation	(43,848)	(6,972)
Notional tax at applicable tax rates at respective jurisdictions	(7,182)	(1,490)
Tax effect of non-taxable income	(1,733)	(256)
Tax effect of non-deductible expenses	3,807	542
Tax effect of temporary differences not recognised	(597)	197
Tax effect on unused tax losses not recognised	5,713	1,857
Over-provision in respect of prior years	(20)	(20)
Others	(6)	–
Actual tax (credit)/expense	(18)	830

(c) Deferred taxation

No provision for deferred tax liabilities has been made as there were no material temporary differences as at 31 December 2020 (2019: Nil).

At 31 December 2020, the Group has unused tax losses arising in Hong Kong of approximately HK$19,007,000 (2019: HK$3,778,000), that are available indefinitely for offsetting against future taxable profits of the group companies in which the losses arose. The Group also has tax losses arising in the PRC of approximately HK$22,973,000 (2019: HK$11,588,000), that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' remuneration disclosed pursuant to section 383 of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2020

	Fees *HK$'000*	Salaries and other allowances *HK$'000*	Discretionary bonus *HK$'000*	Retirement benefit scheme contributions *HK$'000*	Provision for long service payments *HK$'000*	Share-based payments expenses *HK$'000*	Total *HK$'000*
Executive directors							
Mr. John Warren MCLENNAN *(Note a)*	–	1,592	–	18	67	–	1,677
Ms. Tracy-Ann FITZPATRICK *(Note b)*	–	1,861	–	18	50	–	1,929
Ms. MOK Lai Yin, Fiona	–	2,067	120	18	–	262	2,467
Non-executive director							
Mrs. Jennifer Carver MCLENNAN	60	–	–	–	–	–	60
Independent Non-executive directors							
Mr. Roderick Donald NICHOL	60	–	–	–	–	–	60
Ms. Lale KESEBI	60	–	–	–	–	–	60
Ms. Elaine June CHEUNG *(Note c)*	60	–	–	–	–	–	60
Total	240	5,520	120	54	117	262	6,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors' emoluments (Continued)

Year ended 31 December 2019

	Fees	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Provision for/ (reversal of) long service payments	Share-based payments expenses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors							
Mr. John Warren MCLENNAN *(Note a)*	–	1,800	150	18	66	–	2,034
Ms. Tracy-Ann FITZPATRICK *(Note b)*	–	2,095	175	18	50	–	2,338
Ms. MOK Lai Yin, Fiona	–	2,530	531	18	(1)	598	3,676
Non-executive director							
Mrs. Jennifer Carver MCLENNAN	60	–	–	–	–	–	60
Independent Non-executive directors							
Ms. Elaine June CHEUNG	60	–	–	–	–	–	60
Mr. Roderick Donald NICHOL	60	–	–	–	–	–	60
Ms. Lale KESEBI *(Note d)*	33	–	–	–	–	–	33
Ms. LI Yan Yan *(Note e)*	27	–	–	–	–	–	27
Total	240	6,425	856	54	115	598	8,288

Notes:

(a) Mr. John Warren MCLENNAN acted as Chairman.

(b) Ms. Tracy-Ann FITZPATRICK acted as Chief Executive Officer.

(c) Resigned on 15 January 2021.

(d) Appointed on 13 June 2019.

(e) Resigned on 13 June 2019.

During the years ended 31 December 2020 and 2019, there were no amounts paid or payable by the Group to the Chairman/Chief Executive Officer and any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Employees' emoluments

The five highest paid individuals included three (2019: three) directors whose emoluments are included in the disclosures in (a). The emoluments of the remaining two (2019: two) individuals are as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Salaries and other allowances	**3,086**	2,994
Discretionary bonus	**144**	269
Share-based payment expenses	**51**	472
Retirement benefit scheme contributions	**58**	89
Provision for long service payments and employees' end-of-service benefits, net	**312**	105
Total	**3,651**	3,929

Their emoluments are within the following bands:

	2020 **Number of employees**	2019 Number of employees
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**1**	1

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to equity shareholders of the Company of HK$43,830,000 (2019: HK$7,802,000) and the weighted average of 1,000,000,000 (2019: 1,000,000,000) ordinary shares in issue.

No diluted loss per share for the years ended 31 December 2020 and 2019 was presented as there were no dilutive potential ordinary shares in issue during both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT

	Decoration and fittings *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Furniture for rental *HK$'000*	Total *HK$'000*
At cost:						
At 1 January 2019	28,899	2,770	14,466	1,998	19,784	67,917
Additions	307	80	299	–	2,852	3,538
Write-off	–	–	–	–	(4,002)	(4,002)
Exchange realignment	(93)	(9)	(20)	(6)	(26)	(154)
At 31 December 2019 and 1 January 2020	**29,113**	**2,841**	**14,745**	**1,992**	**18,608**	**67,299**
Additions	**3,161**	**2,132**	**643**	**652**	**2,729**	**9,317**
Disposals	**–**	**(195)**	**(49)**	**(55)**	**–**	**(299)**
Write-off	**(2,071)**	**–**	**–**	**–**	**(3,436)**	**(5,507)**
Exchange realignment	**299**	**10**	**22**	**(5)**	**23**	**349**
At 31 December 2020	**30,502**	**4,788**	**15,361**	**2,584**	**17,924**	**71,159**
Accumulated depreciation and impairment losses:						
At 1 January 2019	23,546	2,100	11,413	1,342	18,266	56,667
Charge for the year	1,626	205	1,249	195	2,910	6,185
Written back on write-off	–	–	–	–	(4,002)	(4,002)
Exchange realignment	(85)	(5)	(15)	(6)	(25)	(136)
At 31 December 2019 and 1 January 2020	**25,087**	**2,300**	**12,647**	**1,531**	**17,149**	**58,714**
Charge for the year	**4,289**	**455**	**1,019**	**297**	**2,645**	**8,705**
Written back on disposals	**–**	**(152)**	**(38)**	**(55)**	**–**	**(245)**
Impairment losses	**2,770**	**669**	**763**	**281**	**554**	**5,037**
Written back on write-off	**(2,045)**	**–**	**–**	**–**	**(3,436)**	**(5,481)**
Exchange realignment	**238**	**3**	**17**	**(5)**	**15**	**268**
At 31 December 2020	**30,339**	**3,275**	**14,408**	**2,049**	**16,927**	**66,998**
Carrying amount:						
At 31 December 2020	**163**	**1,513**	**953**	**535**	**997**	**4,161**
At 31 December 2019	4,026	541	2,098	461	1,459	8,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Items of furniture held for rental are leased out under operating leases. The leases typically run for an initial period of 2 years, with an option to renew the leases after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payments receivable under non-cancellable operating leases is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 year	**3,988**	4,889
More than 1 year but less than 5 years	**32**	378
	4,020	5,267

During the year, the Group's management identified certain retail stores and business units which were under-performed and estimated the recoverable amounts of the property, plant and equipment, intangible assets and right-of-use assets of these retail stores and business units as follows:

The aggregate recoverable amounts of these retail stores and business units based on their value in use net of relevant lease liabilities are as follows:

	HK$'000
Retail stores and business units in Hong Kong	25,062
Retail stores and business units in Dubai	–
Retail store and business units in PRC	–

The estimates of recoverable amount were based on the value in use of these property, plant and equipment, intangible assets and right-of-use assets determined using a discount rate are as follows:

	%
Retail stores and business units in Hong Kong	10.64%–10.97%
Retail stores and business units in Dubai	17.88%
Retail store and business units in PRC	11.06%

Based on these estimates, the carrying amount of property, plant and equipment, intangible assets and right-of-use assets was written down by HK$5,037,000 (2019: nil), HK$1,461,000 (2019: nil) and HK$12,630,000 (2019: nil) respectively during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. INTANGIBLE ASSETS

	Software *HK$'000*
At cost:	
At 1 January 2019, 31 December 2019 and 1 January 2020	–
Additions	7,718
At 31 December 2020	7,718
Accumulated amortisation and impairment losses:	
At 1 January 2019, 31 December 2019 and 1 January 2020	–
Charge for the year	772
Impairment losses *(note 10)*	1,461
At 31 December 2020	2,233
Carrying amount:	
At 31 December 2020	5,485
At 31 December 2019	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. RIGHT-OF-USE ASSETS

	HK$'000
At cost:	
At 1 January 2019	50,401
Additions	10,851
Reassessment	(474)
Exchange realignment	(212)
At 31 December 2019 and 1 January 2020	**60,566**
Additions	**26,510**
Reassessment	**(2,710)**
Write-off upon expired leases	**(16,613)**
Exchange realignment	**777**
At 31 December 2020	**68,530**
Accumulated depreciation and impairment losses:	
At 1 January 2019	–
Charge for the year	27,561
Exchange realignment	(75)
At 31 December 2019 and 1 January 2020	**27,486**
Charge for the year	**32,440**
Reassessment	**(1,866)**
Impairment losses *(note 10)*	**12,630**
Write-off upon expired leases	**(16,613)**
Exchange realignment	**559**
At 31 December 2020	**54,636**
Carrying amount:	
At 31 December 2020	**13,894**
At 31 December 2019	33,080

The Group has obtained the right to use certain properties as its office premises, warehouses and retail stores through tenancy agreements. The leases typically run for an initial period of 2 or 3 years.

As disclosed in note 2(c), the Group has early adopted the Amendments to HKFRS 16, Covid-19-Related Rent Concessions, and applies the practical expedient introduced by the Amendments to all eligible rent concessions received by the Group during the current year (see note 5).

Total cash outflow for leases included in the consolidated statement of cash flows was HK$32,197,000 (2019: HK$35,566,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. FINANCE LEASE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Current finance lease receivables	**2,958**	2,074
Non-current finance lease receivables	**517**	950
	3,475	3,024

The total minimum lease payments receivables under finance leases and their present values are as follows:

	Minimum lease payments receivable		Present value of minimum lease payments	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Within 1 year	**3,183**	2,237	**2,966**	2,107
More than 1 year but less than 5 years	**561**	1,024	**518**	965
	3,744	3,261	**3,484**	3,072
Unearned interest income	**(260)**	(189)	**–**	–
Present value of minimum lease payments receivable	**3,484**	3,072	**3,484**	3,072
Less: expected credit loss allowance	**(9)**	(48)	**(9)**	(48)
	3,475	3,024	**3,475**	3,024

Certain items of furniture are leased out under finance leases. The terms of finance leases range from 12 months to 36 months. The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rates are 5% and 10.25% per annum.

Finance lease receivables are secured over the furniture leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. INVENTORIES

	2020 *HK$'000*	2019 *HK$'000*
Merchandise goods	**36,343**	43,726

The analysis of the amount of inventories recognised as an expense is as follows:

	2020 *HK$'000*	2019 *HK$'000*
Carrying amount of inventories sold	**81,809**	129,202
Provision/(reversal of provision) for inventories, net	**(731)**	(617)
	81,078	128,585

15. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2020 *HK$'000*	2019 *HK$'000*
Arising from performance under project contracts	**6,432**	9,540

The Group's project contract work includes payment schedules which require stage payments over the project contract period once certain milestones are reached. These payment schedules prevent the build-up of significant contract assets. A deposit is typically payable up front and this has resulted in a contract liability at early stage of the project. The Group also typically agrees to a one year retention period for 5% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	2020 HK$'000	2019 HK$'000
Billings in advance of performance from project contracts	22,846	24,287

When the Group receives a deposit before the project contract work commences this will give rise to contract liabilities at the start of a project contract, until the revenue recognised on the project exceeds the amount of the deposit. It is common practice on the Group's project contracts to require a deposit before work commences.

Movements in contract liabilities:

	2020 HK$'000	2019 HK$'000
At 1 January	24,287	23,260
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(19,001)	(21,921)
Increase in contract liabilities as a result of billing in advance of project contract work	17,560	22,948
At 31 December	22,846	24,287

The above balance represent the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period, all of which will be recognised as revenue during the subsequent reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	8,897	19,405
Less: expected credit loss allowance	(427)	(817)
	8,470	18,588
Other receivables	4,537	3,699
Trade deposits	8,613	8,721
Rental and other deposits	10,813	14,150
Prepayments	3,853	11,993
	36,286	57,151

At 31 December 2020, apart from certain deposits totalling HK$10,813,000 (2019: HK$14,150,000), all trade and other receivables are expected to be recovered or recognised as expenses within one year.

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

	2020 HK$'000	2019 HK$'000
Within 1 month	3,914	8,629
More than 1 month but less than 3 months	3,450	2,942
More than 3 months but less than 12 months	916	5,434
More than 12 months	190	1,583
	8,470	18,588

Trade receivables are due within 30 days from the date of billing. Further details on the Group's credit policy are set out in note 24(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. TRADE AND OTHER PAYABLES

	2020 *HK$'000*	2019 *HK$'000*
Trade payables	**2,272**	3,181
Deposits received	**3,847**	4,055
Other payables	**5,083**	7,403
Accruals	**9,747**	11,124
	20,949	25,763

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:

	2020 *HK$'000*	2019 *HK$'000*
Within 1 month	**887**	2,163
More than 1 month but less than 3 months	**590**	170
More than 3 months	**795**	848
	2,272	3,181

Included in accruals as at 31 December 2020 were delivery service and manpower support charges payable to Winford Inc. Limited of HK$402,000 (2019: HK$383,000), which is unsecured, interest-free and payable within 21 days after the invoice date. A director, Mr. John Warren McLennan, has a 29% (2019: 50%) equity interest in Winford Inc. Limited as at 31 December 2020.

18. SHORT TERM BANK LOANS

At 31 December 2020 and 2019, the short term bank loans were secured by pledged bank deposits of HK$3,000,000 (2019: HK$3,000,000) and a corporate guarantee from the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. LEASE LIABILITIES

At 31 December 2020, the lease liabilities were repayable as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year	**22,797**	22,828
More than 1 year but less than 2 years	**4,623**	11,224
	27,420	34,052

Two of the leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension option exercisable by the Group to provide operational flexibility. The Group assesses at the lease commencement date the likelihood of exercising the extension option, and only include those reasonably certain to be exercised in the measurement of lease liabilities. At 31 December 2020, the potential future lease payments under extension option for leased properties of HK$3,519,000 (undiscounted) (31 December 2019: HK$2,871,000) have not been included in the lease liabilities as the option is unlikely to be exercised.

During the years ended 31 December 2020 and 2019, the Group leased a number of retail stores which contain variable lease payment terms that are based on sales generated from the retail stores and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores in Hong Kong where the Group operates. During 2020 the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed and variable lease payments recognised in profit or loss for the year is disclosed in note 6(c). At 31 December 2020, it is estimated that an increase in sales generated from these retail stores by 5% would have increased the lease payments by HK$9,000 (2019: HK$20,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. PROVISIONS

	Long service payments HK$'000	Employees' end-of-service benefits HK$'000	Reinstatement costs for rented premises HK$'000	Total HK$'000
At 1 January 2019	813	4,514	2,718	8,045
Provision made	9	148	–	157
Provision reversed	(518)	–	–	(518)
Provision utilised	(61)	(83)	–	(144)
Exchange realignment	–	(24)	–	(24)
At 31 December 2019 and 1 January 2020	**243**	**4,555**	**2,718**	**7,516**
Provision made	**82**	**919**	**1,007**	**2,008**
Provision reversed	**(112)**	**–**	**–**	**(112)**
Provision utilised	**–**	**(735)**	**(373)**	**(1,108)**
Exchange realignment	**–**	**(21)**	**–**	**(21)**
At 31 December 2020	**213**	**4,718**	**3,352**	**8,283**

(a) Provision for long service payments

The Group's net obligation in respect of long service payments to its employees upon the termination of their employment or retirement when the employee fulfils certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services.

The amount payable is dependent upon the employee's final salary and period of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group.

(b) Provision for employees' end-of-service benefits

Provision for the employees' end-of-service benefits is made in accordance with the labour laws of the UAE, and is based on current remuneration and cumulative periods of service at the end of the reporting period.

(c) Provision for reinstatement costs for rented premises

Under the terms of the rental agreements signed with landlords, the Group shall remove and re-instate the rented premises at the Group's cost upon expiry of the relevant rental agreements. Provision is therefore made for the best estimate of the expected reinstatement costs to be incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(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 its 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 in the Company, being the scheme mandate limit. The board of directors may seek approval by the shareholders of the Company in 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 adoption of the Share Option Scheme which is 19 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

(b) Details of share options

On 30 August 2018, a total of 45,000,000 share options under the Share Option Scheme was granted, and total of 500,000 share options were lapsed during the year ended 31 December 2019.

Details of the share options and their movement during the year ended 31 December 2020 are as follows:

	Exercise price *HK$*	Number of share options at 1 January 2020	Number of share options lapsed during the year	Number of share options at 31 December 2020
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	11,391,600	(2,986,500)	8,405,100
— 18 July 2020 to 17 July 2022	0.22	11,391,600	(2,986,500)	8,405,100
— 18 July 2021 to 17 July 2022	0.22	11,736,800	(3,077,000)	8,659,800
		44,500,000	(9,050,000)	35,450,000

During the year ended 31 December 2020, a total of 9,050,000 share options were lapsed, no share options were exercised, issued or cancelled. The number of share options outstanding as at 31 December 2020 were 35,450,000 (2019: 44,500,000), of which 23,397,000 (2019: 14,685,000) are exercisable as at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (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%

Expected volatility was determined by using historical volatility of the Company's comparable companies share price over previous 10 years. Changes in the subjective input assumptions could materially affect the fair value estimate.

22. SHARE CAPITAL, DIVIDENDS AND RESERVES

(a) Share capital

Details of the share capital of the Company are disclosed as follows:

	Number of Shares	Amount *HK$'000*
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 31 December 2020	10,000,000,000	100,000
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 31 December 2020	1,000,000,000	10,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. SHARE CAPITAL, DIVIDENDS AND RESERVES (CONTINUED)

(b) Dividends

No dividend in respect of years ended 31 December 2020 and 2019 has been proposed by the directors of the Company.

(c) Nature and purposes of reserves

(i) Share premium

The share premium account is governed by the Companies Law of the Cayman Islands and may be applied by the Company subject to the provisions, if any, of its Memorandum and Articles of Association in paying distributions or dividends to equity shareholders. No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Share option reserve

The share option reserve comprise the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy as set out in note 2(o). The amount will either be transferred to the share premium account where the related options are exercised, or be transferred to accumulated profits where the related options expired or are forfeited.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of an entity with functional currency other than Hong Kong dollars. The reserve is dealt with in accordance with the accounting policies set out in note 2(t).

(iv) Other reserve

Other reserve represents the difference between the nominal value of the Company's shares issued and the nominal value of the share capital of Pacific Legend Development Limited ("**Pacific Legend Development**") and Deep Blue Living Limited ("**Deep Blue**") acquired pursuant to a reorganisation in connection with and completed prior to the listing of the Company's shares on GEM of the Stock Exchange on 18 July 2018 (the "**Reorganisation**"). Pursuant to the Reorganisation, the Company issued 499 ordinary shares to the then shareholders of Pacific Legend Development on 28 December 2017 in consideration of acquiring their equity interests held in Pacific Legend Development, and 346 ordinary shares on 11 January 2018 to the then shareholders of Deep Blue in consideration of acquiring their equity interests held in Deep Blue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. SHARE CAPITAL, DIVIDENDS AND RESERVES (CONTINUED)

(d) Capital risk management

The Group's primary objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the Group. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Group or the requirements of the Hong Kong Companies Ordinance.

The Group is not subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. CASH FLOW INFORMATION

Reconciliation of liabilities arising from financing activities

	Lease liabilities HK$'000	Short term bank loans HK$'000	Total HK$'000
At 1 January 2019	50,401	5,030	55,431
Changes from financing cash flows:			
Capital element of lease rentals paid	(26,585)	–	(26,585)
Interest element of lease rentals paid	(1,521)	–	(1,521)
Proceeds from new bank loans	–	11,188	11,188
Repayment of bank loans	–	(10,811)	(10,811)
	(28,106)	377	(27,729)
Exchange adjustments	(141)	–	(141)
Other changes:			
Increase in lease liabilities from entering into new leases during the period	10,851	–	10,851
Lease modification	(474)	–	(474)
Interest expenses	1,521	–	1,521
At 31 December 2019 and 1 January 2020	**34,052**	**5,407**	**39,459**
Changes from financing cash flows:			
Capital element of lease rentals paid	**(27,656)**	**–**	**(27,656)**
Interest element of lease rentals paid	**(1,478)**	**–**	**(1,478)**
Proceeds from new bank loans	**–**	**6,516**	**6,516**
Repayment of bank loans	**–**	**(7,253)**	**(7,253)**
	(29,134)	**(737)**	**(29,871)**
Exchange adjustments	**205**	**–**	**205**
Other changes:			
Increase in lease liabilities from entering into new leases during the period	**25,503**	**–**	**25,503**
COVID-19-related rent concessions received	**(3,705)**	**–**	**(3,705)**
Lease modification	**(979)**	**–**	**(979)**
Interest expenses	**1,478**	**–**	**1,478**
At 31 December 2020	**27,420**	**4,670**	**32,090**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to finance lease receivables, trade receivables and contract assets. Credit risk on cash and cash equivalents is limited as they are placed with financial institutions with sound credit ratings.

The Group's retail sales are usually paid in cash or via major credit/debit cards. In respect of the Group's corporate and project customers where credit periods are granted, individual credit evaluations are performed. In addition, finance lease receivables, trade receivables and contract assets are monitored on an on-going basis to ensure that follow-up actions are taken and adequate expected credit loss allowances are made for the amounts considered to be irrecoverable.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2020, 10% (2019: 21%) and 24% (2019: 43%) of the total trade receivables and contract assets was due from the Group's largest customer and the five largest customers respectively.

The Group measures expected credit loss allowances for finance lease receivables, trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicate different loss patterns for different customer geographical segments, the expected credit loss allowance based on past due status is further distinguished between the Group's different customer bases.

The credit risks on finance lease receivables are limited because the deposits for a certain period of months are required prior to commencement of leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

	At 31 December 2020		
	Expected loss rate	**Gross carrying**	**Expected credit loss**
	%	***HK$'000***	***HK$'000***
Current (not past due)	**0.02% – 0.52%**	**4,906**	**20**
Within 1 month	**0.14% – 0.20%**	**3,178**	**4**
More than 1 month but less than 3 months	**0.47% – 1.24%**	**3,386**	**17**
More than 3 months but less than 12 months	**4.45% – 21.25%**	**1,006**	**185**
More than 12 months	**29.18% – 100.00%**	**4,322**	**1,670**
		16,798	**1,896**

	At 31 December 2019		
	Expected loss rate	Gross carrying	Expected credit loss
	%	HK$'000	HK$'000
Current (not past due)	0.25% – 1.92%	16,752	277
Within 1 month	0.50% – 1.98%	2,356	46
More than 1 month but less than 3 months	1.11% – 2.52%	3,044	45
More than 3 months but less than 12 months	2.27% – 5.00%	4,608	112
More than 12 months	5.00% – 100.00%	2,367	519
		29,127	999

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (Continued)

Movements in the expected credit loss allowance in respect of trade receivables and contract assets during the year are as follows:

	2020 *HK$'000*	2019 *HK$'000*
At 1 January	999	450
Impairment loss recognised	1,381	554
Uncollectable amounts written off	(558)	–
Exchange realignment	74	(5)
At 31 December	1,896	999

The origination of new trade receivables net of those settled resulted in an increase in expected credit loss allowance at the end of 2020 and 2019.

(b) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following table details the remaining contractual maturities for the Group's financial liabilities, which are based on the undiscounted cash flows and the earliest date the Group can be required to pay.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (Continued)

At 31 December 2020	**Carrying amount** *HK$'000*	**Total contractual undiscounted cash flows** *HK$'000*	**Repayment on demand or within 1 year** *HK$'000*	**Repayment more than 1 year but less than 2 years** *HK$'000*
Trade and other payables	**20,949**	**20,949**	**20,949**	**–**
Short term bank loans	**4,670**	**4,802**	**4,802**	**–**
Lease liabilities	**27,420**	**28,008**	**23,359**	**4,649**
	53,039	**53,759**	**49,110**	**4,649**

At 31 December 2019	Carrying amount *HK$'000*	Total contractual undiscounted cash flows *HK$'000*	Repayment on demand or within 1 year *HK$'000*	Repayment more than 1 year but less than 2 years *HK$'000*
Trade and other payables	25,763	25,763	25,763	–
Short term bank loans	5,407	5,649	5,649	–
Lease liabilities	34,052	35,001	23,629	11,372
	65,222	66,413	55,041	11,372

(c) Interest rate risk

The Group's interest rate risk arises primarily from finance lease receivables, bank deposits, short term bank loans and lease liabilities which are at fixed rates and expose the Group to fair value interest rate risk.

At 31 December 2020, if interest rates on finance lease receivables, bank deposits and short term bank loans had been 100 basis points higher/lower, with all other risk variables held constant, the Group's post-tax loss for the year would have been HK$68,000 (2019: HK$3,000) lower/higher (2019: lower/higher).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Foreign currency risk

The Group's sales and direct costs were primarily denominated in the functional currency of the operations to which the transactions are related. And the Group's several subsidiaries have intra-group balances which have been eliminated in the consolidated financial statements of which the functional currency of the relevant entities are RMB and AED at the end of the reporting period are as follows:

	Amounts due from group entities		Amounts due to group entities	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**17,802**	17,883	**47,007**	40,557

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

	2020	2019
Decrease in post-tax loss for the year	***HK$'000***	*HK$'000*
HK$	**1,162**	882

(e) Fair values measurement

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

25. CONTINGENT LIABILITIES

At 31 December 2020 and 2019, the Group had no material contingent liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

Remuneration for key management of the Group, including amounts paid to certain directors and certain of the highest paid employees as disclosed in notes 8(a) and 8(b) respectively, during the year ended 31 December 2020 is as follows:

	2020	2019
	HK$'000	*HK$'000*
Salaries, allowances and commissions	**13,918**	14,268
Discretionary bonus	**458**	1,414
Share-based payment expenses	**295**	2,207
Retirement benefits scheme contributions	**217**	233
Provision for long service payments and employees' end-of-service benefits, net	**1,278**	221
	16,166	18,343

Their compensation is within the following bands:

	2020	2019
	Number of employees	*Number of employees*
Nil to HK$1,000,000	**6**	–
HK$1,000,001 to HK$1,500,000	**3**	4
HK$1,500,001 to HK$2,000,000	**3**	2
HK$2,000,001 to HK$2,500,000	**2**	3
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	–
HK$3,500,001 to HK$4,000,000	**–**	1

(b) Other related party transactions

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year ended 31 December 2020:

	2020	2019
	HK$'000	*HK$'000*
Delivery charge and manpower support expense paid to a related company		
Winford Inc. Limited	**4,176**	5,126
Sales of home furniture and accessories to directors		
Mr. John Warren MCLENNAN	**4**	14
Ms. Tracy-Ann FITZPATRICK	**10**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. PARTICULARS OF SUBSIDIARIES

Details of subsidiaries as at 31 December 2020 and 2019:

Name of subsidiary	Place of incorporation/ establishment	Issued and paid up Capital	Equity interest attributable to the Company 2020	2019	Principal activities
Directly held					
Raeford Holdings Limited	BVI	US$1	100%	100%	Investment holding
Indirectly held					
Pacific Legend Development	Hong Kong	HK$10,000	100%	100%	Investment holding
Indigo Living Limited	Hong Kong	HK$22,900,000	100%	100%	Sale and leasing of home furniture and accessories and provision of design consultancy services for fitting out interiors with furnishings
Indigo Dubai *(i)*	Dubai, UAE	AED300,000	100%	100%	Sale and leasing of home furniture and accessories and provision of design consultancy services for fitting out interiors with furnishings
Deep Ocean SPV Limited *(ii)*	Abu Dhabi, UAE	US$1,000	100%	100%	Investment holding
Deep Blue	Hong Kong	HK$779,246	100%	100%	Investment holding
因邸高家居商貿(上海)有限公司 Indigo China Home Furniture Trading (Shanghai) Limited (“**Indigo China**”)* *(iii)*	PRC	RMB13,974,493	100%	100%	Sale and leasing of home furniture and accessories and provision of design consultancy services for fitting out interiors with furnishings
上海因邸閣裝潢設計工程有限公司 Shanghai Indigo Decoration and Design Works Limited (“**Indigo Shanghai**”)* *(iii), (iv)*	PRC	–	100%	100%	Provision of design consultancy services for fitting out interiors with furnishings
Ocean Blue Living Limited	Hong Kong	HK$1,000	100%	100%	Franchising
Mega Ocean Limited	Hong Kong	HK$1	100%	100%	Inactive

* English name is a direct translation *for identification purpose only, the official name is in Chinese.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Notes:

(i) Pacific Legend Development is the legal owner of 49% of the issued share capital of Indigo Dubai. The notarised memorandum of association of Indigo Dubai provides that Pacific Legend Development has the sole right to control, manage and direct the financial and operating policies of Indigo Dubai and is entitled to 80% of Indigo Dubai's profits. Through the contractual arrangements, Pacific Legend Development is also entitled to the remaining 20% of Indigo Dubai's profits. Accordingly, Indigo Dubai has been accounted for as a wholly owned subsidiary of the Group.

(ii) All the issued share capital of Deep Ocean SPV Limited is held by a corporate services provider in the UAE. Pacific Legend Development, through contractual arrangements with the corporate services provider, has 100% control and economic interest in Deep Ocean SPV Limited.

(iii) Indigo China and Indigo Shanghai are registered in the form of wholly-foreign owned enterprises with limited liabilities.

(iv) Indigo Shanghai has a registered capital of RMB30,000,000 and no capital has been paid up to the date of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020	2019
	HK$'000	*HK$'000*
Non-current assets		
Investment in a subsidiary	**3,875**	3,901
Current assets		
Amounts due from subsidiaries	**41,581**	50,888
Prepayments	**191**	41
Cash and cash equivalents	**1,263**	4,427
	43,035	55,356
Current liabilities		
Other payables	**830**	291
Net current assets	**42,205**	55,065
Total assets less current liabilities	**46,080**	58,966
NET ASSETS	**46,080**	58,966
Capital and reserve		
Share capital	**10,000**	10,000
Reserves	**36,080**	48,966
TOTAL EQUITY	**46,080**	58,966

Approved and authorised for issue by the board of directors on 26 March 2021.

John Warren MCLENNAN
Director

Tracy-Ann FITZPATRICK
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movements in the Company's reserves

	Share premium HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2019	67,136	1,234	(20,809)	47,561
Loss and total comprehensive loss for the year	–	–	(1,261)	(1,261)
Share options lapsed	–	(14)	–	(14)
Equity settled share-based payment transactions	–	2,680	–	2,680
Balance at 31 December 2019 and 1 January 2020	67,136	3,900	(22,070)	48,966
Loss and total comprehensive loss for the year	–	–	(12,860)	(12,860)
Share options lapsed	–	(355)	–	(355)
Equity settled share-based payment transactions	–	329	–	329
Balance at 31 December 2020	67,136	3,874	(34,930)	36,080

29. COMPARATIVE FIGURES

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

30. EVENTS OCCURRING AFTER THE REPORTING DATE

(i) On 7 January 2021, the Company and a placing agent entered into a placing agreement to subscribe a maximum of 200,000,000 new ordinary shares (the "**Share(s)**") of the Company at the placing price of HK$0.060 per Share (the "**Placing**"). The new Shares were issued under the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting held on 25 May 2020. The 200,000,000 new Shares, with par value of HK$0.01 each, were eventually placed to not less than six independent placees on 4 February 2021 with net proceeds (after deduction of commission and other expenses of the Placing) of approximately HK$11,280,000. The closing market price per share of the immediately preceding business day was HK$0.073. The discount of the issue price to market price was approximately 17.81%.

Details of the Placing are set out in the Company's announcements dated 7 January 2021, 29 January 2021 and 4 February 2021. The Directors intended to use the entire net proceeds from the Placing as general working capital of the Group. As at the date of this report, the net proceeds from the Placing have not been utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. EVENTS OCCURRING AFTER THE REPORTING DATE (Continued)

(ii) Since early 2020, the outbreak of COVID-19 pandemic has adversely affected the global business environment. Certain arrangements such as working from home and social distancing requirements, have also created changes to the business environment in which the Group is operating. Up to the date of this report, although vaccines are now available and injection programmes have been launched, there have been no clear indication that the pandemic will subside. Therefore, the pandemic may continue to have impact on the financial results of the Group for the year ending 31 December 2021, the extent of which could not be estimated reliably as at the date of the approval of these consolidated financial statements. The Group will continue to pay close attention to the development of COVID-19 and evaluate its potential impact on its financial position and operating results in 2021.

31. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, Insurance Contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting period beginning on or after
Amendments to HKFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group’s consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, extracted from this annual report and prior years financial statements, is as follows:

	Year ended 31 December				
	2020	2019	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
RESULTS					
Revenue	**219,859**	307,718	278,103	278,628	244,441
(Loss)/profit before taxation	**(43,848)**	(6,972)	(17,071)	4,960	7,581
Income tax credit/(expense)	**18**	(830)	(297)	(1,837)	(2,161)
(Loss)/profit for the year attributable to the equity shareholders of the Company	**(43,830)**	(7,802)	(17,368)	3,123	5,420

	As at 31 December				
	2020	2019	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES					
Total assets	**174,324**	230,552	203,313	156,447	154,817
Total liabilities	**(85,208)**	(98,124)	(65,717)	(53,630)	(55,843)
Total equity	**89,116**	132,428	137,596	102,817	98,974