

PACIFIC LEGEND GROUP LIMITED

(Incorporated in the Cayman
Islands with limited liability)

Stock Code: 8547



2022 FIRST QUARTERLY REPORT

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


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

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FINANCIAL HIGHLIGHTS

- The unaudited revenue of the Group amounted to approximately HK\$38.6 million for the three months ended 31 March 2022, representing a decrease of approximately HK\$8.2 million or 17.5% as compared with the revenue of approximately HK\$46.8 million for the three months ended 31 March 2021.
 - The unaudited loss of the Group after tax was approximately HK\$8.8 million for the three months ended 31 March 2022 as compared to a loss of approximately HK\$9.1 million for the three months ended 31 March 2021.
 - Basic and diluted loss per share were both 0.67 Hong Kong cent for the three months ended 31 March 2022 compared to basic and diluted loss per share of 0.81 Hong Kong cent for the three months ended 31 March 2021.
 - No interim dividend is recommended by the Board for the three months ended 31 March 2022.
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UNAUDITED FIRST QUARTERLY FINANCIAL INFORMATION

The board of Directors (the “**Board**”) of Pacific Legend Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months ended 31 March 2022 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 31 MARCH 2022

(Expressed in Hong Kong dollars)

	Note	Three months ended 31 March	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	38,603	46,780
Cost of sales		(17,552)	(20,448)
Gross profit		21,051	26,332
Other income and gains	4	1,847	2,903
Selling and distribution costs		(10,417)	(11,420)
Administrative and other operating expenses		(21,139)	(26,637)
Loss from operations		(8,658)	(8,822)
Finance costs	5	(164)	(251)
Loss before taxation	5	(8,822)	(9,073)
Income tax expense	6	–	–
Loss for the period		(8,822)	(9,073)
Other comprehensive income			
Item that may be classified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax		26	151
Total comprehensive loss for the period		(8,796)	(8,922)

UNAUDITED FIRST QUARTERLY FINANCIAL INFORMATION

	Note	Three months ended 31 March	
		2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Loss for the period attributable to:			
— Owners of the Company		(8,822)	(9,073)
— Non-controlling interests		—	—
		<u>(8,822)</u>	<u>(9,073)</u>
Total comprehensive loss attributable to:			
— Owners of the Company		(8,796)	(8,922)
— Non-controlling interests		—	—
		<u>(8,796)</u>	<u>(8,922)</u>
		<i>HK cent(s)</i>	<i>HK cent(s)</i>
Loss per share			
Basic and diluted	7	<u>(0.67)</u>	<u>(0.81)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2022
(Expressed in Hong Kong dollars)

	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Other reserve HK\$'000	Accumulated profits/ (losses) HK\$'000	Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
Balance at 1 January 2021 (audited)	10,000	67,136	3,874	298	789	7,019	89,116	-	89,116
Loss for the period	-	-	-	-	-	(9,073)	(9,073)	-	(9,073)
Other comprehensive income	-	-	-	151	-	-	151	-	151
Total comprehensive income/(loss) for the period	-	-	-	151	-	(9,073)	(8,922)	-	(8,922)
Proceeds from placing of new shares	2,000	10,000	-	-	-	-	12,000	-	12,000
Issuing expenses of placing of new shares	-	(721)	-	-	-	-	(721)	-	(721)
Share options forfeited	-	-	(395)	-	-	395	-	-	-
Equity settled share-based payment transactions	-	-	50	-	-	-	50	-	50
Balance at 31 March 2021 (unaudited)	<u>12,000</u>	<u>76,415</u>	<u>3,529</u>	<u>449</u>	<u>789</u>	<u>(1,659)</u>	<u>91,523</u>	<u>-</u>	<u>91,523</u>
Balance at 1 January 2022 (audited)	13,200	87,982	3,014	4	789	(20,291)	84,698	4,000	88,698
Loss for the period	-	-	-	-	-	(8,822)	(8,822)	-	(8,822)
Other comprehensive income	-	-	-	26	-	-	26	-	26
Total comprehensive income/(loss) for the period	-	-	-	26	-	(8,822)	(8,796)	-	(8,796)
Balance at 31 March 2022 (unaudited)	<u>13,200</u>	<u>87,982</u>	<u>3,014</u>	<u>30</u>	<u>789</u>	<u>(29,113)</u>	<u>75,902</u>	<u>4,000</u>	<u>79,902</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Pacific Legend Group Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 1 September 2017. On 18 July 2018, the Company’s shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Units 1202–04, Level 12, Cyberport 2, 100 Cyberport Road, Hong Kong.

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

At 31 March 2022, the Directors consider the immediate and ultimate holding company to be Double Lions Limited, which is incorporated in the British Virgin Islands (the “**BVI**”).

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (the “**HKAS**”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and applicable disclosure provisions of the GEM Listing Rules. The unaudited condensed consolidated financial information should be read in conjunction with the audited consolidated financial information for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the HKICPA, as included in the Company’s 2021 Annual Report.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION

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

- Sale of home furniture and accessories
- Rental of home furniture and accessories
- Project and hospitality services

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

For the three months ended 31 March 2022

	Sale of home furniture and accessories <i>HK\$'000</i> <u>(Unaudited)</u>	Rental of home furniture and accessories <i>HK\$'000</i> <u>(Unaudited)</u>	Project and hospitality services <i>HK\$'000</i> <u>(Unaudited)</u>	Total <i>HK\$'000</i> <u>(Unaudited)</u>
Revenue from contracts with customers within the scope of HKFRS 15				
— Point in time	29,740	–	–	29,740
— Over time	–	–	3,852	3,852
Revenue from other source				
— Over time	–	5,011	–	5,011
	<u>29,740</u>	<u>5,011</u>	<u>3,852</u>	<u>38,603</u>
Segment results	<u>14,359</u>	<u>3,329</u>	<u>1,638</u>	19,326
Unallocated items				
Interest income				13
Depreciation of property, plant and equipment				(152)
Depreciation of right-of-use assets				(287)
Amortisation of intangible assets				(31)
Finance costs				(164)
Unallocated corporate expenses				<u>(27,527)</u>
Loss before taxation				<u>(8,822)</u>
Depreciation of property, plant and equipment	84	738	–	822
Depreciation of right-of-use assets	<u>903</u>	<u>–</u>	<u>–</u>	<u>903</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the three months ended 31 March 2021

	Sale of home furniture and accessories <i>HK\$'000</i> (Unaudited)	Rental of home furniture and accessories <i>HK\$'000</i> (Unaudited)	Project and hospitality services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15				
– Point in time	40,086	–	–	40,086
– Over time	–	–	2,815	2,815
Revenue from other source				
– Over time	–	3,879	–	3,879
	<u>40,086</u>	<u>3,879</u>	<u>2,815</u>	<u>46,780</u>
Segment results	<u>21,181</u>	<u>3,369</u>	<u>682</u>	25,232
Interest income				32
Depreciation of property, plant and equipment				(209)
Depreciation of right-of-use assets				(2,279)
Amortisation of intangible assets				(305)
Finance costs				(251)
Unallocated corporate expenses				<u>(31,293)</u>
Loss before taxation				<u>(9,073)</u>
Depreciation of property, plant and equipment	210	196	–	406
Depreciation of right-of-use assets	<u>694</u>	<u>–</u>	<u>–</u>	<u>694</u>

There was no inter-segment revenue for the three months ended 31 March 2022 and 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from external customers

	Three months ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Hong Kong	24,760	28,723
United Arab Emirates (the "UAE")	10,898	11,655
The People's Republic of China (excluding Hong Kong and Macao, the "PRC")	2,945	6,402
	38,603	46,780

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

4. OTHER INCOME AND GAINS

	Three months ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Bank interest income	13	32
Interest income from finance leases	34	42
Royalty income from franchising	275	288
Other income from franchisee	–	1,780
COVID-19-related rent concessions received	40	537
Rental income	952	–
Sundry income	128	29
Write off expired trade and other payable	140	–
Net exchange gains	265	195
	1,847	2,903

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Three months ended 31 March	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
(a) Finance costs:		
Interest on short-term bank loans	2	22
Interest on lease liabilities	162	229
	<u>164</u>	<u>251</u>
(b) Staff costs:		
Salaries, allowances and commissions	14,195	17,783
Share-based payment expenses	–	50
Retirement benefits scheme contributions	717	830
Provision for long service payments and employees' end-of-service benefits	247	199
	<u>15,159</u>	<u>18,862</u>
(c) Other items:		
Amortisation of intangible assets	31	305
Auditors' remuneration	253	231
Cost of inventories recognised as expense	16,814	20,196
Depreciation of property, plant and equipment	974	615
Depreciation of right-of-use assets	1,190	2,973
Expenses related to short-term leases	2,038	1,598
Variable lease payments not included in the measurement of lease liabilities	6	66
	<u>6</u>	<u>66</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INCOME TAX EXPENSE

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

	Three months ended 31 March	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
	<u> </u>	<u> </u>
Hong Kong Profits Tax		
— Provision for the period	<u> </u> -	<u> </u> -

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

The provision for Hong Kong Profits Tax for the three months ended 31 March 2022 is calculated at 8.25% (three months ended 31 March 2021: 8.25%) of the first HK\$2,000,000 and 16.5% (2021: 16.5%) of the remaining estimated assessable profits for the period.

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

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to equity shareholders of the Company of HK\$8,822,000 (2021: HK\$9,073,000) and the weighted average of 1,320,000,000 (2021: 1,124,444,444) ordinary shares in issue.

No diluted loss per share for the three months ended 31 March 2022 and 2021 respectively was presented as there were no dilutive potential ordinary shares in issue during both periods.

8. DIVIDENDS

The Directors do not recommend the payment of any interim dividend in respect of the three months ended 31 March 2022 (three months ended 31 March 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

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

During the three months ended 31 March 2022, the general market conditions continued to be challenging across all our markets and became more difficult in Hong Kong with the governments social distancing policies being enhanced during the period to manage the latest outbreak of COVID-19. Overall, the Company reported a decrease of revenue in all areas of the business except Furniture Rental in HK. Dubai is holding even with last year’s retail numbers, and we see a strong pipeline developing in the project area. We are revising our business model in Shanghai so that we focus more on distribution through a well-known distributor of wall paper, fabric and paint. We managed to reduce selling and distribution expenses as well as our admin and operating expenses in the first quarter and will work hard to continue this trend.

For the balance of 2022, we will continue to focus on development of our products and services in all regions, to differentiate ourselves in our markets such as increased B2C design services both in store and online as well as the growing project market here in Hong Kong and the Middle East. The operating environment of forthcoming quarter should be somewhat improved due to the lowering of social distancing policies in Hong Kong and the improved economic scenario in Dubai. Our businesses in Shanghai however, will continue to face challenges as long as large parts of the city are in lockdown. We will continue to actively cut costs and streamline operations wherever possible to deliver on our strategic development plans and take advantage of growth opportunities as they arise in all regions.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

The Group's revenue for the three months ended 31 March 2022 (the "**First Quarter 2022**" or the "**Current Quarter**") was approximately HK\$38.6 million, representing a decrease of HK\$8.2 million or 17.5% as compared with that of the three months ended 31 March 2021 (the "**First Quarter 2021**" or the "**Corresponding Period in 2021**") of HK\$46.8 million.

The revenue derived from the Furniture Sales decreased by approximately 25.8% from approximately HK\$40.1 million in the First Quarter 2021 to approximately HK\$29.7 million in the First Quarter 2022.

In Hong Kong, the retail sales revenue in the First Quarter 2022 decreased by 22.5% from the Corresponding Period in 2021. With the outbreak of the Omicron variant of COVID-19 in Hong Kong since January 2022, our Hong Kong retail sales suffered the toughest ever first quarter due to the severe reduction of consumer footfall following the further tightening of social distancing measures and the shortage of staff manpower as our frontline salesperson either contracted COVID-19 or were subject to mandatory quarantine as close contacts. As the number of new COVID-19 cases started to fall in the last two weeks of March, we saw some gradual improvements in sales receipts, but this positive impact on the revenue of the First Quarter 2022 was minimal.

The corporate sales in Hong Kong in the First Quarter 2022 noted a decrease of 55.2% compared to the Corresponding Period in 2021. The fifth wave of COVID-19 has further delayed the developers' timetable of the release of residential units in order to meet the stringent social distancing requirements, which had seriously affected our showflats businesses.

Our retail revenue in Dubai, the UAE in the First Quarter 2022 was approximately at the same level as that in the Corresponding Period in 2021. Although there was small outbreak of COVID-19 in the First Quarter 2022 due to Omicron variant, it did not have much impact on the consumer footfall. Dubai corporate sales noted a slow start in the First Quarter 2022, but it has a strong pipeline which should help narrow the shortfall compared to the last year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's online business noted a decrease of 23.3% in the First Quarter 2022 compared to the Corresponding Period in 2021. The significant decrease was mainly attributable to our retail business in Shanghai as the size of An Fu Lu Store had been reduced, which affected our potential customers opportunities to touch and feel our products directly. On the other hand, the severe lockdown measures in Hong Kong drove part of the sales traffic to online. The Group's revenue from franchise business in Saudi Arabia fell by 31.0% in the First Quarter 2022, as compared to the Corresponding Period in 2021.

Revenue from our retail business in Shanghai suffered a decrease of 64.9% in the First Quarter 2022 compared to the Corresponding Period in 2021, partly because of the closure of the store in Jing An District (in the second quarter of 2021) and the reduction of our retail store spaces in An Fu Lu Store following the pop-up store arrangement with Coach in the fourth quarter of 2021. We decided to close our An Fu Lu store in March 2022 and moved to a new office which will at this stage focus on wholesale and dealership distribution model, while looking for opportunities to open a new store to re-establish its retail presence in the city.

The revenue from the Furniture Rental business improved by approximately 29.2% from approximately HK\$3.9 million in the First Quarter 2021 to approximately HK\$5.0 million in the First Quarter 2022. The Group still managed to maintain a stable inflow of rental contract in the first two months of 2022 until March 2022 when the fifth wave of COVID-19 reached its climax. On the other hand, there were more finance lease sales in the First Quarter 2022 compared to Corresponding Period in 2021.

The revenue from the Projects business was only HK\$3.9 million in First Quarter 2022, as compared to approximately HK\$2.8 million in the First Quarter 2021. Although there was a slight improvement in revenue than last year, it was by no means comparable to the pre-COVID years in 2019 or before. The fifth wave of COVID-19 pandemic has almost totally stalled the progress of our existing projects and delayed the timetable of the potential projects. Our UAE and Shanghai teams are also working hard for the opportunities in respective regions but their impacts on the revenue of First Quarter 2022 was minimal.

Gross Profit

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

The gross profit of the Group decreased by HK\$5.2 million or 20.0% from approximately HK\$26.3 million in the Corresponding Period in 2021 to HK\$21.1 million in the First Quarter 2022. We noted a 1.8% decrease in overall gross profit margin due to continuous clearance of aging stock at a discount and the increase in design consultancy services under retail, which involved renovation of customers' houses with lower gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other income and gains

Other income and gains in the Current Quarter amounted to HK\$1.8 million, compared to HK\$2.9 million in the Corresponding Period in 2021, the decrease was mainly attributable to the reduction of other income from franchising and COVID-19 related rental concessions.

Selling and Distribution Costs

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

The Group's selling and distribution costs decreased by approximately 8.8% from approximately HK\$11.4 million in the First Quarter 2021 to approximately HK\$10.4 million in the First Quarter 2022. The decrease of HK\$1.0 million was mainly attributable to savings in sales-related staff costs, including sales commission, the fall of which was in line with the decline in revenue.

Administrative and other operating expenses

Our administrative and other operating expenses comprised mainly staff cost (other than the sales teams), rental and related expenses, amortisation of intangible assets, depreciation of property, plant and equipment (other than those relating to the Furniture Rental business), depreciation of right-of-use assets, staff benefits and others. Such expenses decreased by approximately 20.6% from approximately HK\$26.6 million in the First Quarter 2021 to approximately HK\$21.1 million in the First Quarter 2022. This decrease was mainly the result of the reduction of legal and professional fees, and staff costs following the staff restructuring in mid 2021.

Finance costs

The finance costs mainly represent the net present value of the aggregate lease payments in respect of the leases of certain premises, which the Group has entered into as a lessee, amounted to approximately HK\$162,000 (First Quarter 2021: approximately HK\$229,000).

Loss for the period

Loss attributable to equity shareholders of the Company for the Current Quarter amounted to approximately HK\$8.8 million (First Quarter 2021: loss of approximately HK\$9.1 million).

The decrease in loss in the First Quarter 2022 was mainly attributable to the savings of selling and distribution costs and administrative and other operating expenses exceeded the negative impact of the decline in gross profit and other income and gains as mentioned above.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Use of Proceeds from the Listing

The net proceeds from the Listing (the “**Net Proceeds**”) received by the Company after deducting the underwriting commissions and fees and other listing related expenses amounted to approximately HK\$48.5 million. As at 31 March 2022, the Company had utilised approximately HK\$30.0 million of the Net Proceeds and the amount of the unutilised Net Proceeds was approximately HK\$18.4 million (the “**Unutilised Net Proceeds**”) and deposited into licensed banks in Hong Kong.

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

The following table sets forth the status of the use of the Net Proceeds as at 31 March 2022:

	Adjusted allocation of Net Proceeds <i>HK\$'000</i> <i>(approximately)</i>	Utilised Net Proceeds up to 31 March 2022 <i>HK\$'000</i> <i>(approximately)</i>	Balance of Net Proceeds as at 31 March 2022 <i>HK\$'000</i> <i>(approximately)</i>	Expected timeline for fully utilizing the remaining Net Proceeds
Expand the Group’s retail network by opening additional retail stores in Mainland China and UAE	18,725	(6,441)	12,284	End of December 2023
Expand the Group’s retail network by opening additional retail stores in Hong Kong	2,000	(233)	1,767	End of December 2022
Enhance the Group’s online shop and the Group’s information technology capability	6,550	(3,550)	3,000	End of December 2023
Recruitment of additional staff	5,545	(5,545)	-	Not applicable
Recruitment for the Group’s planned new retail stores in Mainland China and UAE	1,556	(164)	1,392	End of December 2023
Increasing the Group’s inventory	5,056	(5,056)	-	Not applicable
General working capital	9,043	(9,043)	-	Not applicable
	<u>48,475</u>	<u>30,032</u>	<u>18,443</u>	

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 31 March 2022, the interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) held by the Directors and chief executives of the Company (the “Chief Executives”) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

(i) Long position in the shares of the Company (the “Shares”)

Name	Capacity/ Nature of interest	Number of Shares held	Number of share options granted (note 1)	Total	Percentage of shareholding (note 2)
Mr. John Warren MCLENNAN	Interest in a controlled corporation and interest held jointly with other persons (note 3)	414,500,000	–	414,500,000	31.40%
Mrs. Jennifer Carver MCLENNAN	Interest of spouse (note 4)	414,500,000	–	414,500,000	31.40%
Ms. MOK Lai Yin Fiona (note 5)	Beneficial interests	–	9,980,000	9,980,000	0.76%

Notes:

- (1) These share options were granted by the Company under the Company’s Share Option Scheme, as defined and detailed in the heading “Share Option Scheme” below.
- (2) The calculation is based on the total number of 1,320,000,000 Shares in issue as at 31 March 2022 (without taking into account any Shares which may be issued upon exercise of any option which may be granted under the Company’s Share Option Scheme, as defined and detailed in the heading “Share Option Scheme” below).
- (3) Double Lions Limited is owned as to 40.48% by Mr. John Warren MCLENNAN, 20.00% by Ms. Tracy-Ann FITZPATRICK, 14.88% by Ms. Alison Siobhan BAILEY, 14.88% by Mr. John Martin RINDERKNECHT and 9.76% by Mr. James Seymour Dickson LEACH (collectively with Double Lions Limited, the “Controlling Shareholders”). Each of the Controlling Shareholders executed the deed of acting in concert (the “Deed of AIC”) dated 12 February 2018 confirming the existence of their acting in concert and are deemed to be interested in all the Shares owned by Double Lions Limited.
- (4) Mrs. Jennifer Carver MCLENNAN is the spouse of Mr. John Warren MCLENNAN and is deemed to be interested in the Shares held by Mr. John Warren MCLENNAN by virtue of the SFO.
- (5) Share options were granted by the Company to Ms. MOK Lai Yin Fiona pursuant to a Share Option Scheme of the Company, as defined and detailed in the heading “Share Option Scheme” below.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

(ii) Long position in the shares of associated corporations

Name of Directors	Name of associated corporation	Nature of interest	Number of shares of US\$1.00 each in our associated corporation held	Approximate percentage of shareholding in our associated corporation
Mr. John Warren MCLENNAN	Double Lions Limited	Beneficial interest and interest held jointly with other persons (<i>note 1</i>)	2,530	40.48%
Mrs. Jennifer Carver MCLENNAN	Double Lions Limited	Interest of spouse (<i>note 2</i>)	2,530	40.48%

Notes:

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2022, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO showed that the Company had been notified of the following substantial shareholders' interests, being 5% or more in the issued ordinary share capital of the Company. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

Name	Capacity/ Nature of interest	Number of Shares held (note 5)	Percentage of shareholding (note 2)
Double Lions Limited	Beneficial interest	414,500,000	31.40%
Ms. Tracy-Ann FITZPATRICK	Beneficial interest	414,500,000	31.40%
Mr. David Frances BULBECK	Interest of spouse (note 3)	414,500,000	31.40%
Ms. Alison Siobhan BAILEY	Interest in a controlled corporation, interest held jointly with other persons (note 1) and interest of spouse (note 4)	414,500,000	31.40%
Mr. James Seymour Dickson LEACH	Interest in a controlled corporation, interest held jointly with other persons (note 1) and interest of spouse (note 4)	414,500,000	31.40%
Mr. John Martin RINDERKNECHT	Interest in a controlled corporation and interest held jointly with other persons (note 1)	414,500,000	31.40%
Mr. Cheung Wai Keung	Beneficial interest	200,000,000	15.15%

Notes:

- (1) Double Lions Limited is owned as to 40.48% by Mr. John Warren MCLENNAN, 20.00% by Ms. Tracy-Ann FITZPATRICK, 14.88% by Ms. Alison Siobhan BAILEY, 14.88% by Mr. John Martin RINDERKNECHT and 9.76% by Mr. James Seymour Dickson LEACH (collectively, with Double Lions Limited, the "**Controlling Shareholders**"). Each of the Controlling Shareholders executed the Deed of AIC confirming the existence of their acting in concert and are deemed to be interested in all the Shares owned by Double Lions Limited.
- (2) The calculation is based on the total number of 1,320,000,000 Shares in issue as at 31 March 2022 (without taking into account any Shares which may be issued upon exercise of any option which may be granted under the Company's Share Option Scheme, as defined and detailed in the heading "Share Option Scheme" below).
- (3) Mr. David Frances BULBECK is the spouse of Ms. Tracy-Ann FITZPATRICK and is deemed to be interested in the Shares held by Ms. Tracy-Ann FITZPATRICK by virtue of the SFO.
- (4) Ms. Alison Siobhan BAILEY and Mr. James Seymour Dickson LEACH are married to each other and each of them is deemed to be interested in the Shares held by her/his spouse via Double Lions Limited by virtue of the SFO.
- (5) The letter "L" denotes the entity/person's long position in the Shares.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Save as disclosed above, as at 31 March, 2022, the Directors were not aware of any other persons or companies who had any interest or short position in the Shares or underlying shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIVIDEND

The Board does not recommend the payment of any interim dividend for the three months ended 31 March 2022.

SHARE OPTION SCHEME

(a) Share option scheme adopted by the Company

Pursuant to the written resolution of the shareholders of the Company on 19 June 2018, the Company adopted a share option scheme (the “**Share Option Scheme**”) for the purpose of granting options to eligible participants as incentives or rewards for their contribution to the Group.

Under the Share Option Scheme, the board of Directors may at their discretion grant options to full-time or part-time employees, including executive Directors, non-executive Directors and independent non-executive Directors, consultants or advisers of the Group. The offer of a grant of share options may be accepted by the grantee within 28 days from the date of the offer, upon payment of HK\$1 by way of consideration for the grant. Each share option gives the holder of the right to subscribe for one ordinary Share in the Company and is settled gross in Shares.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time. In addition, the total number of Shares which may be issued upon exercise of all options to be granted under Share Option Scheme and any other share option schemes of the Company must not exceed 100,000,000 Shares, being the scheme mandate limit. The board of Directors may seek approval by the shareholders of the Company in a general meeting to renew the scheme mandate limit, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company in these circumstances must not exceed 10% of the issued share capital of the Company at the date of approval of the renewed limit.

The total number of Shares issued and to be issued upon exercise of the options granted to each participant under the Share Option Scheme and other schemes (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue from time to time.

The exercise price of share options is the highest of (i) the nominal value of the Shares; (ii) the closing price of the Shares on the Stock Exchange on the date of offer; and (iii) the average closing price of the Shares on the Stock Exchange for the five business days immediately preceding the date of offer. The Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme (19 June 2018).

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

(b) The terms and conditions of the share options existing as at 31 March 2022

On 30 August 2018, a total of 45,000,000 share options under this Share Option Scheme was granted. The details of such share options and their movement during the three months ended 31 March 2022 are as follows:

	Exercise price HK\$	Number of share options at 1 January 2022	Number of share options lapsed during the period	Number of share options at 31 March 2022
Options granted to Ms. Mok Lai Yin Fiona, a director of the Company, with exercise period:				
– 18 July 2019 to 17 July 2022	0.22	3,293,400	–	3,293,400
– 18 July 2020 to 17 July 2022	0.22	3,293,400	–	3,293,400
– 18 July 2021 to 17 July 2022	0.22	3,393,200	–	3,393,200
Options granted to employees and consultants, with exercise period:				
– 18 July 2019 to 17 July 2022	0.22	4,848,400	–	4,848,400
– 18 July 2020 to 17 July 2022	0.22	4,848,400	–	4,848,400
– 18 July 2021 to 17 July 2022	0.22	4,963,200	–	4,963,200
		<u>24,640,000</u>	<u>–</u>	<u>24,640,000</u>

During the three months ended 31 March 2022, no share options were forfeited, and no share options were exercised, issued or cancelled. The number of share options outstanding as at 31 March 2022 were 24,640,000, all of which are exercisable as at 31 March 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

(c) Fair value of share options and assumptions

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the three months ended 31 March 2022 were rights to acquire benefits by means of the acquisition of Shares or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the three months ended 31 March 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”). Having made specific enquiry of all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings during the three months ended 31 March 2022, and the Company was not aware of any non-compliance with such Required Standard of Dealings and its code of conduct regarding securities transactions by Directors during such period.

COMPETING INTERESTS

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

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

CORPORATE GOVERNANCE

Pursuant to Rules 17.22 and 17.24 of the GEM Listing Rules, the Company does not have advances to any entity nor provided any financial assistance and guarantees to affiliated companies. In addition, pursuant to Rule 17.23 of the GEM Listing Rules, the controlling shareholders of the Company have not pledged the Shares of the Company.

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 of the GEM Listing Rules and to the best knowledge of the Board, the Company had complied with the code provisions of the CG Code, except that Mr. MCLENNAN serves as both the chairman of the Board and the chief executive officer (“**CEO**”) of the Company, such practice deviates from code provision C.2.1 of the CG Code as contained in Appendix 15 to the GEM Listing Rules. The Board believes that vesting the roles of both the chairman of the Board and the CEO of the Company in the same person can facilitate the execution of the Group’s business strategies and boost effectiveness of its operation. Taking into account Mr. MCLENNAN’s substantial experience and leadership position in the management of the Company, the Board considers that Mr. MCLENNAN acting as both the chairman of the Board and the CEO of the Company enables effective management of the Company and is in the interests of the Group and the Shareholders as a whole. In addition, the Board now comprises four executive Directors, one non-executive Director and five independent non-executive Directors. The Board will remain appropriately structured with balance of power to provide sufficient checks and supervision to protect the interests of the Company and the Shareholders.

By Order of the Board
Pacific Legend Group Limited
John Warren MCLENNAN
*Executive Director, Chairman and
Chief Executive Officer*

Hong Kong, 13 May 2022

As at the date of this report, the Board comprises Mr. John Warren McLennan, Ms. Mok Lai Yin Fiona, Mr. So Kin Ting Wilson and Mr. Zheng Tianzhi as executive Directors; Mrs. Jennifer Carver McLennan as non-executive Director; and Mr. Roderick Donald Nichol, Ms. Lale Kesebi, Mr. So Alan Wai Shing, Mr. Lee Kwong Ming and Mr. Lee Fung Lun as independent non-executive Directors.