

PACIFIC LEGEND GROUP LIMITED

(Incorporated in the Cayman
Islands with limited liability)

Stock Code: 8547



2022 THIRD QUARTERLY REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibilities for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*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.

Table of Contents

| | |
|---|----|
| FINANCIAL HIGHLIGHTS | 3 |
| CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | 4 |
| CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 5 |
| NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS | 6 |
| MANAGEMENT DISCUSSION AND ANALYSIS | 15 |
| CORPORATE GOVERNANCE AND OTHER INFORMATION | 20 |



FINANCIAL HIGHLIGHTS

- The unaudited revenue of the Group amounted to approximately HK\$143.0 million for the nine months ended 30 September 2022, representing a decrease of approximately HK\$27.7 million or 16.3% as compared with the revenue of approximately HK\$170.7 million for the nine months ended 30 September 2021.
 - The unaudited loss of the Group after tax was approximately HK\$17.7 million for the nine months ended 30 September 2022 as compared with a loss of approximately HK\$17.2 million for the nine months ended 30 September 2021.
 - Basic and diluted loss per share were both 1.34 Hong Kong cents for the nine months ended 30 September 2022 compared with the basic and diluted loss per share of 1.45 Hong Kong cent for the nine months ended 30 September 2021.
 - No interim dividend is recommended by the Board for the nine months ended 30 September 2022.
- 

UNAUDITED THIRD 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 and nine months ended 30 September 2022 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND NINE MONTHS ENDED 30 SEPTEMBER 2022

(Expressed in Hong Kong dollars)

| | Note | Three months ended 30 September | | Nine months ended 30 September | |
|--|------|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| Revenue | 4 | 60,734 | 74,271 | 142,963 | 170,717 |
| Cost of sales | | (31,247) | (34,701) | (65,200) | (77,477) |
| Gross profit | | 29,487 | 39,570 | 77,763 | 93,240 |
| Other income and gains | 5 | 2,100 | 694 | 5,930 | 4,842 |
| Selling and distribution costs | | (11,475) | (11,503) | (33,662) | (34,294) |
| Administrative and other operating expenses | | (24,114) | (23,128) | (67,060) | (80,361) |
| (Loss)/profit from operations | | (4,002) | 5,633 | (17,029) | (16,573) |
| Finance costs | | (351) | (155) | (675) | (608) |
| (Loss)/profit before taxation | 6 | (4,353) | 5,478 | (17,704) | (17,181) |
| Income tax expense | 7 | - | - | - | - |
| (Loss)/profit for the period | | (4,353) | 5,478 | (17,704) | (17,181) |
| 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 | | 1,260 | (6) | 2,172 | 151 |
| Total comprehensive (loss)/income for the period | | (3,093) | 5,472 | (15,532) | (17,030) |
| (Loss)/profit for the period attributed to: | | | | | |
| – Owners of Company | | (4,353) | 5,478 | (17,704) | (17,181) |
| – Non-controlling interest | | - | - | - | - |
| | | (4,353) | 5,478 | (17,704) | (17,181) |
| Total comprehensive (loss)/income attributed to: | | | | | |
| – Owners of Company | | (3,093) | 5,472 | (15,532) | (17,030) |
| – Non-controlling interest | | - | - | - | - |
| | | (3,093) | 5,472 | (15,532) | (17,030) |
| | | HK cent(s) | HK cent(s) | HK cent(s) | HK cent(s) |
| (Loss)/earnings per share | | | | | |
| Basic and diluted | 8 | (0.33) | 0.45 | (1.34) | (1.45) |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022
(Expressed in Hong Kong dollars)

| | Share capital | Share premium | Share option reserve | Exchange reserve | Other reserve | Accumulated profits/(losses) | Sub Total | Non-controlling interests | Total |
|--|---------------|---------------|----------------------|------------------|---------------|------------------------------|---------------|---------------------------|---------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | 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 | - | - | - | - | - | (17,181) | (17,181) | - | (17,181) |
| Other comprehensive income | - | - | - | 151 | - | - | 151 | - | 151 |
| Total comprehensive income/(loss) for the period | - | - | - | 151 | - | (17,181) | (17,030) | - | (17,030) |
| Proceeds from placing of new shares | 3,200 | 22,240 | - | - | - | - | 25,440 | - | 25,440 |
| Issuing expenses of placing new shares | - | (1,394) | - | - | - | - | (1,394) | - | (1,394) |
| Share options lapsed | - | - | (856) | - | - | 856 | - | - | - |
| Equity settled share-based payments transaction | - | - | (4) | - | - | - | (4) | - | (4) |
| Balance at 30 September 2021 (unaudited) | <u>13,200</u> | <u>87,982</u> | <u>3,014</u> | <u>449</u> | <u>789</u> | <u>(9,306)</u> | <u>96,128</u> | <u>-</u> | <u>96,128</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 | - | - | - | - | - | (17,704) | (17,704) | - | (17,704) |
| Other comprehensive income | - | - | - | 2,172 | - | - | 2,172 | - | 2,172 |
| Total comprehensive income/(loss) for the period | - | - | - | 2,172 | - | (17,704) | (15,532) | - | (15,532) |
| Share options lapsed | - | - | (3,014) | - | - | 3,014 | - | - | - |
| Balance at 30 September 2022 (unaudited) | <u>13,200</u> | <u>87,982</u> | <u>-</u> | <u>2,176</u> | <u>789</u> | <u>(34,981)</u> | <u>69,166</u> | <u>4,000</u> | <u>73,166</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 (the “**Listing**”) on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

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

At 30 September 2022, the Directors consider the immediate and ultimate holding company to be Double Lions Limited, which is incorporated in the British Virgin Islands (the “**BVI**”).

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited. The unaudited condensed consolidated financial information should be read in conjunction with the audited consolidated financial information for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the HKICPA, as included in the Company’s 2021 Annual Report.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. NEW ACCOUNTING STANDARDS AND ACCOUNTING CHANGES

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

| | |
|-----------------------|--|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendments to HKAS 16 | Property, Plant and Equipment — Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts — Cost of Fulfilling a Contract |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018–2020 |

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (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 three months ended 30 September 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 | 37,104 | – | – | 37,104 |
| – Over time | – | – | 16,342 | 16,342 |
| Revenue from other source | | | | |
| – Over time | – | 7,288 | – | 7,288 |
| | <u>37,104</u> | <u>7,288</u> | <u>16,342</u> | <u>60,734</u> |
| Segment results | <u>18,618</u> | <u>5,676</u> | <u>3,988</u> | 28,282 |
| Unallocated items | | | | |
| Interest income | | | | 1 |
| Depreciation of property, plant and equipment | | | | (301) |
| Depreciation of right-of-use assets | | | | (942) |
| Amortisation of intangible assets | | | | (31) |
| Finance costs | | | | (351) |
| Unallocated corporate expenses | | | | <u>(31,011)</u> |
| Loss before taxation | | | | <u>(4,353)</u> |
| Depreciation of property, plant and equipment | 200 | 634 | – | 834 |
| Depreciation of right-of-use assets | <u>1,005</u> | <u>–</u> | <u>–</u> | <u>1,005</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the nine months ended 30 September 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 | 102,699 | – | – | 102,699 |
| — Over time | – | – | 23,643 | 23,643 |
| Revenue from other source | | | | |
| — Over time | – | 16,621 | – | 16,621 |
| | <u>102,699</u> | <u>16,621</u> | <u>23,643</u> | <u>142,963</u> |
| Segment results | <u>53,558</u> | <u>13,116</u> | <u>7,488</u> | 74,162 |
| Unallocated items | | | | |
| Interest income | | | | 28 |
| Depreciation of property, plant and equipment | | | | (465) |
| Depreciation of right-of-use assets | | | | (1,582) |
| Amortisation of intangible assets | | | | (94) |
| Finance costs | | | | (675) |
| Unallocated corporate expenses | | | | <u>(89,078)</u> |
| Loss before taxation | | | | <u>(17,704)</u> |
| Depreciation of property, plant and equipment | 649 | 2,080 | – | 2,729 |
| Depreciation of right-of-use assets | <u>2,952</u> | <u>–</u> | <u>–</u> | <u>2,952</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the three months ended 30 September 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 | 43,928 | – | – | 43,928 |
| – Over time | – | – | 25,251 | 25,251 |
| Revenue from other source | | | | |
| – Over time | – | 5,092 | – | 5,092 |
| | <u>43,928</u> | <u>5,092</u> | <u>25,251</u> | <u>74,271</u> |
| Segment results | <u>25,099</u> | <u>4,154</u> | <u>8,990</u> | 38,243 |
| Interest income | | | | – |
| Depreciation of property, plant and equipment | | | | (91) |
| Depreciation of right-of-use assets | | | | (2,268) |
| Amortisation of intangible assets | | | | (305) |
| Finance costs | | | | (155) |
| Unallocated corporate expenses | | | | <u>(29,946)</u> |
| Profit before taxation | | | | <u>5,478</u> |
| Depreciation of property, plant and equipment | 138 | 443 | – | 581 |
| Depreciation of right-of-use assets | <u>1,189</u> | <u>–</u> | <u>–</u> | <u>1,189</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the nine months ended 30 September 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 | 121,486 | – | – | 121,486 |
| — Over time | – | – | 36,675 | 36,675 |
| Revenue from other source | | | | |
| — Over time | – | 12,556 | – | 12,556 |
| | <u>121,486</u> | <u>12,556</u> | <u>36,675</u> | <u>170,717</u> |
| Segment results | <u>66,463</u> | <u>10,766</u> | <u>12,222</u> | 89,451 |
| Interest income | | | | 33 |
| Depreciation of property, plant and equipment | | | | (696) |
| Depreciation of right-of-use assets | | | | (6,826) |
| Amortisation of intangible assets | | | | (915) |
| Finance costs | | | | (608) |
| Unallocated corporate expenses | | | | <u>(97,620)</u> |
| Loss before taxation | | | | <u>(17,181)</u> |
| Depreciation of property, plant and equipment | 484 | 923 | – | 1,407 |
| Depreciation of right-of-use assets | <u>3,305</u> | <u>–</u> | <u>–</u> | <u>3,305</u> |

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from external customers

| | Three months ended | | Nine months ended | |
|---|--------------------|---------------|-------------------|----------------|
| | 30 September | | 30 September | |
| | 2022 | 2021 | 2022 | 2021 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Hong Kong | 35,442 | 41,727 | 87,988 | 102,561 |
| United Arab Emirates (the "UAE") | 22,638 | 22,665 | 47,392 | 44,886 |
| The People's Republic of China (excluding Hong Kong and Macao, the "PRC") | 2,654 | 9,879 | 7,583 | 23,270 |
| | <u>60,734</u> | <u>74,271</u> | <u>142,963</u> | <u>170,717</u> |

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

5. OTHER INCOME AND GAINS

| | Three months ended | | Nine months ended | |
|---|--------------------|-------------|-------------------|--------------|
| | 30 September | | 30 September | |
| | 2022 | 2021 | 2022 | 2021 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Bank interest income | 1 | – | 28 | 33 |
| COVID-19-related rent concessions | 384 | 262 | 806 | 1,120 |
| Government grants received | 653 | – | 2,189 | – |
| Interest income from finance leases | 108 | 60 | 207 | 215 |
| Net exchange gains | – | (203) | – | 450 |
| Other income from franchisee | – | – | – | 1,780 |
| Rental income | (47) | – | 905 | – |
| Royalty income from franchising | 214 | 242 | 709 | 838 |
| Sundry income | 53 | 161 | 212 | 234 |
| Written off of expired unrepresented cheque | 734 | – | 734 | – |
| Write off expired trade and other payables | – | 172 | 140 | 172 |
| | <u>2,100</u> | <u>694</u> | <u>5,930</u> | <u>4,842</u> |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. (LOSS)/PROFIT BEFORE TAXATION

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

| | Three months ended 30 September | | Nine months ended 30 September | |
|---|------------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2021 HK\$'000 (Unaudited) |
| (a) Finance costs: | | | | |
| Interest on short-term loans | 168 | 50 | 170 | 118 |
| Interest on lease liabilities | 183 | 105 | 505 | 490 |
| | <u>351</u> | <u>155</u> | <u>675</u> | <u>608</u> |
| (b) Staff costs: | | | | |
| Salaries, allowances and commissions | 14,769 | 16,263 | 44,821 | 53,435 |
| Share-based payment expenses | – | (54) | – | (4) |
| Retirement benefits scheme contributions | 772 | 812 | 2,344 | 2,492 |
| Provision for long service payments and employees' end-of-service benefits | 250 | 200 | 744 | 598 |
| | <u>15,791</u> | <u>17,221</u> | <u>47,909</u> | <u>56,521</u> |
| (c) Other items: | | | | |
| Amortisation of intangible assets | 31 | 305 | 94 | 915 |
| Auditor's remuneration | 244 | 256 | 750 | 789 |
| Cost of inventories recognised as expense | 30,390 | 34,115 | 62,897 | 76,303 |
| Depreciation of property, plant and equipment | 1,135 | 672 | 3,194 | 2,103 |
| Depreciation of right-of-use assets | 1,947 | 3,457 | 4,534 | 10,131 |
| (Gain)/loss on disposals of property, plant and equipment | (81) | 177 | (44) | 177 |
| Expenses related to short term leases | 2,797 | 897 | 5,881 | 3,778 |
| Net exchange loss/(gain) | 1,999 | 203 | 2,801 | (450) |
| Variable lease payments not included in the measurement of lease liabilities | 470 | 30 | 534 | 127 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX EXPENSE

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

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

No provision for the PRC Enterprise Income Tax is made as the Group has no assessable profit arising in or derived from the PRC for the nine months ended 30 September 2022 and 2021.

8. (LOSS)/EARNINGS 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\$17,704,000 (nine months ended 30 September 2021: HK\$17,181,000) and the weighted average of 1,320,000,000 (nine months ended 30 September 2021: 1,182,564,103) ordinary shares in issue.

No diluted loss per share for the nine months ended 30 September 2022 and 2021 respectively was presented as there were no dilutive potential ordinary shares in issue during both periods.

9. DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2022 (nine months ended 30 September 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 showflats).

During the three months ended 30 September 2022, the general market conditions in Hong Kong has become complicated as the number of COVID-19 cases has increased again in the third quarter of 2022. Some competitors had extended their seasonal sales activities which affected our retail sales performance. The decrease in second-hand property prices also had an adverse impact on our design consultancy services. On the other hand, our showflat sales and projects businesses have gradually picked up. The popularity of our furniture package for a new private housing estate developed by a leading property developer in Hong Kong, has set a new standard for similar projects in the future. We have also extended our online businesses to business-to-business (“**B2B**”) with the launch of our Indigo Trade website which offers our potential wholesale customers exclusive access to items such as accessories, wall art and cushions, which are different from those offered in our retail channels.

Our UAE businesses continue to growth, we opened another new store in Dubai Hills Mall in September 2022, while our 3-year furniture supply project to a local conglomerate has started to generate revenue in this third quarter.

Our cost cutting exercise continued to pay off, which offset the impact of the revenue decrease on the bottom line. As a result, the Group’s loss in YTD Third Quarter 2022 (as defined below) was comparable to the Corresponding Period in 2021 (as defined below).

For the balance of 2022, we will continue to focus on the development of our products and services in Hong Kong and Dubai, to differentiate ourselves in our markets such as increased business-to-customer (“**B2C**”) design services both in-store and online as well as the growing projects market here in Hong Kong and the Middle East. In view of the changing demography in Hong Kong, we continue to focus on local customers and finetune our products and services to fulfill their needs. We will continue to actively cut costs and streamline operations wherever possible to deliver 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 nine months ended 30 September 2022 (the "YTD Third Quarter 2022") was approximately HK\$143.0 million, representing a decrease of HK\$27.7 million or 16.3% as compared with that of the nine months ended 30 September 2021 (the "YTD Third Quarter 2021" or the "Corresponding Period in 2021") of approximately HK\$170.7 million.

The revenue derived from the Furniture Sales business decreased by approximately 15.5% from approximately HK\$121.5 million in the YTD Third Quarter 2021 to approximately HK\$102.7 million in the YTD Third Quarter 2022.

In Hong Kong, the retail sales revenue decreased by approximately 18.8% in the YTD Third Quarter 2022 as compared to the YTD Third Quarter 2021. The trading conditions for the retail furniture sector in Hong Kong worsened as a result of increasing numbers of COVID-19 cases in the third quarter while we have been facing fierce price competition from other furniture retailers. Our design studio was also substantially impacted by the decline in the second-hand property market and our potential customers have less incentive to renovate their homes.

The corporate sales in Hong Kong, which consists mainly of the sales of showflats furniture to property developers, noted a decrease in revenue by approximately 16.4% as compared to the Corresponding Period in 2021. Notwithstanding the slow start of the release of showflats in the first half of the year due to the lockdown measures during the 5th wave of COVID-19 pandemic, the property developers have recommenced their plans to release residential flats for sale, the new Hong Kong showflats contracts and enquiries in August and September 2022 have gradually picked up which has narrowed the shortfall compared to the Corresponding Period in 2021.

Retail revenue from our Dubai stores in the UAE increased by approximately 7.7% in YTD Third Quarter 2022 as compared to the Corresponding Period in 2021 following the continuous recovery of the UAE economy. We have opened in September 2022 a new store in Dubai Hills Mall with approximately 5,500 square feet retail spaces, which is well received by our customers. Dubai corporate sales also increased by approximately 18.0% in the YTD Third Quarter 2022 compared to the Corresponding Period in 2021, reflecting gradual recovery of the UAE economy from COVID-19.

Revenue from our retail business in Shanghai significantly decreased in the YTD Third Quarter 2022 as compared to the Corresponding Period in 2021, mainly because of the closure of our An Fu Lu store in March 2022 and our Jing An District store in May 2021. Distribution and our retail business in Shanghai continued to be impacted by the social distancing measures in mainland China, which seriously affected the performance of our Shanghai businesses in the YTD Third Quarter 2022.

The Group's online business and franchise in the YTD Third Quarter 2022 decreased by approximately 21.2%, and 2.2% respectively, as compared to the Corresponding Period in 2021. The decrease in the Group's online business was mainly attributable to the closure of two retail stores in Shanghai as mentioned above which also significantly impacted our online business.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The revenue from the Furniture Rental business increased by approximately 32.4% from approximately HK\$12.6 million in the YTD Third Quarter 2021 to approximately HK\$16.6 million in the YTD Third Quarter 2022. Such growth was mainly attributable to our UAE team who has extended our Furniture Rental business to embassies and larger value B2C customers.

The revenue from the Projects business decreased significantly by approximately 35.5% from approximately HK\$36.7 million in the YTD Third Quarter 2021 to approximately HK\$23.6 million in the YTD Third Quarter 2022. The decrease was mainly because the fifth wave of COVID-19 pandemic has stalled the progress of our existing projects in the first half of 2022. However, several projects in Hong Kong have recommenced. We also have a strong pipeline but it is not expected to materialize in the remaining months of 2022. Our UAE team was also awarded a significant multi-year furniture supply project to a local conglomerate for the next 3 years, which started to contribute revenue in the YTD Third Quarter 2022.

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.

The gross profit of the Group decreased by HK\$15.4 million or 16.5% from approximately HK\$93.2 million in YTD Third Quarter 2021 to approximately HK\$77.8 million in the YTD Third Quarter 2022. The overall gross profit margin noted a small decrease from 54.6% in YTD Third Quarter 2021 to 54.4% in YTD Third Quarter 2022).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Other income and gains

The Group's other income and gains for the YTD Third Quarter 2022 was approximately HK\$5.9 million (compared to approximately HK\$4.8 million in the Corresponding Period in 2021), the increase mainly represented approximately HK\$2.1 million from the funding support from the Employment Support Scheme under the Anti-epidemic Fund of the HKSAR Government in 2022 (nil in Corresponding Period in 2021), net of decrease in COVID-19-related rent concessions received of HK\$0.3 million (YTD Third Quarterly 2022: HK\$0.8 million, Corresponding Period in 2021: HK\$1.1 million).

Selling and Distribution Costs

Our selling and distribution costs comprised mainly staff cost of sales teams, sales commission, advertising and promotion, transportation and delivery costs, credit card commission, agency fees and other expenses. The Group's selling and distribution costs decreased slightly by approximately 1.8% from approximately HK\$34.3 million in the YTD Third Quarter 2021 to approximately HK\$33.7 million in the YTD Third Quarter 2022. The sales-related staff cost continued to decrease in line with the revenue, while we increased the spending in advertising and promotion in order to maintain our market exposure.

Administrative and other operating expenses

Our administrative and other operating expenses comprised mainly staff cost (other than the sales teams), rental and related expenses, depreciation of property, plant and equipment (other than those relating to the Furniture Rental business), depreciation of right-of-use assets, staff benefits and others. Such expenses significantly decreased by approximately 16.6% from approximately HK\$80.4 million in the YTD Third Quarter 2021 to approximately HK\$67.1 million in the YTD Third Quarter 2022. Such decrease was mainly the result of the further reduction in staff costs following the staff reorganisation in Hong Kong office since June 2021, and reduction of rental expenses (including the depreciation of rights-of-use assets) as a result of closure of certain stores in Hong Kong. The removal of Hong Kong fixed-lease warehouse to a subcontracted one with variable costs based on usage also contributed further savings to the Group.

Finance costs

The Group incurred bank interest expenses on short term bank loan and import loan financing of approximately HK\$170,000 in the YTD Third Quarter 2022 (Corresponding Period in 2021: HK\$118,000). The interest expenses on the remaining balance of the net present value of the aggregate lease payments in respect of the leases of certain premises, which the Group has entered into as a lessee, amounted to HK\$505,000 (Corresponding Period in 2021: HK\$490,000).

Loss for the period

Loss attributable to equity shareholders of the Company for the YTD Third Quarter 2022 amounted to approximately HK\$17.7 million (YTD Third Quarter 2021: a loss of approximately HK\$17.2 million).

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 30 September 2022, the Company had utilised approximately HK\$33.3 million of the Net Proceeds and the amount of the unutilised Net Proceeds was approximately HK\$15.2 million (the “**Unutilised Net Proceeds**”) and deposited into licensed banks in Hong Kong and the UAE.

As disclosed in the Company’s announcement dated 18 February 2022, having carefully considered the latest business environment and development needs of the Group, the Board had resolved to change the use of the Unutilised Net Proceeds. Due to the generally volatile operating environment of the Group in the face of the COVID-19 pandemic, the Net Proceeds were not fully utilised as at 30 September 2022.

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

| | Adjusted allocation of Net Proceeds <i>HK\$'000</i> <i>(approximately)</i> | Utilised Net Proceeds up to 30 September 2022 <i>HK\$'000</i> <i>(approximately)</i> | Balance of Net Proceeds as at 30 September 2022 <i>HK\$'000</i> <i>(approximately)</i> | Expected timeline for fully utilising the remaining Net Proceeds |
|---|---|---|---|---|
| Expand the Group’s retail network by opening additional retail stores in Mainland China and UAE | 18,725 | (9,444) | 9,281 | 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 | (3,799) | 2,751 | 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>(33,284)</u> | <u>15,191</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 30 September 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

| 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 2) | 414,500,000 | - | 414,500,000 | 31.40% |
| Mrs. Jennifer Carver MCLENNAN | Interest of spouse (note 3) | 414,500,000 | - | 414,500,000 | 31.40% |

Notes:

- (1) The calculation is based on the total number of 1,320,000,000 Shares in issue as at 30 September 2022.
- (2) 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.
- (3) 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.

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 30 September 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 <i>(note 6)</i> | Percentage of shareholding <i>(note 2)</i> |
|-----------------------------------|---|---|--|
| Double Lions Limited | Beneficial interest | 414,500,000 (L) | 31.40% |
| Ms. Tracy-Ann FITZPATRICK | Interest in a controlled corporation, interest held jointly with other persons <i>(note 1)</i> and interest of spouse <i>(note 3)</i> | 414,500,000 (L) | 31.40% |
| Mr. David Frances BULBECK | Interest of spouse <i>(note 3)</i> | 414,500,000 (L) | 31.40% |
| Ms. Alison Siobhan BAILEY | Interest in a controlled corporation, interest held jointly with other persons <i>(note 1)</i> and interest of spouse <i>(note 4)</i> | 414,500,000 (L) | 31.40% |
| Mr. James Seymour Dickson LEACH | Interest in a controlled corporation, interest held jointly with other persons <i>(note 1)</i> and interest of spouse <i>(note 4)</i> | 414,500,000 (L) | 31.40% |
| Mr. John Martin RINDERKNECHT | Interest in a controlled corporation and interest held jointly with other persons <i>(note 1)</i> | 414,500,000 (L) | 31.40% |
| Mr. CHEUNG Wai Keung | Beneficial interest | 132,000,000 (L) | 10.00% |
| Ms. WONG Wing Man | Interest in a controlled corporation <i>(note 5)</i> | 106,740,000 (L) | 8.09% |
| Century Great Investments Limited | Beneficial interest | 106,740,000 (L) | 8.09% |

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Notes:

- (1) Double Lions Limited is owned as to 40.48% by Mr. John Warren MCLENNAN, 20.00% by Ms. Tracy-Ann FITZPATRICK, 14.88% by Ms. Alison Siobhan BAILEY, 14.88% by Mr. John Martin RINDERKNECHT and 9.76% by Mr. James Seymour Dickson LEACH (collectively, with Double Lions Limited, the “**Controlling Shareholders**”). Each of the Controlling Shareholders executed the Deed of AIC confirming the existence of their acting in concert and are deemed to be interested in all the Shares owned by Double Lions Limited.
- (2) The calculation is based on the total number of 1,320,000,000 Shares in issue as at 30 September 2022.
- (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) Century Great Investments Limited is 100% owned by Ms. WONG Wing Man.
- (6) The letter “L” denotes the entity/person’s long position in the Shares.

Save as disclosed above, as at 30 September 2022, the Directors were not aware of any other persons or companies who had any interest or short position in the Shares or underlying shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIVIDENDS

The Board does not recommend the payment of any interim dividend for the nine months ended 30 September 2022 (nine months ended 30 September 2021: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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 30 September 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 nine months ended 30 September 2022 are as follows:

| | Exercise price HK\$ | Number of share options at 1 January 2022 | Number of share options lapsed during the period | Number of share options at 30 September 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 | 8,405,100 | (8,405,100) | — |
| — 18 July 2020 to 17 July 2022 | 0.22 | 8,405,100 | (8,405,100) | — |
| — 18 July 2021 to 17 July 2022 | 0.22 | 8,659,800 | (8,659,800) | — |
| | | <u>35,450,000</u> | <u>(35,450,000)</u> | <u>—</u> |

During the nine months ended 30 September 2022, a total of 35,450,000 share options were lapsed, no share options were issued or cancelled. No share options are outstanding as at 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2022, and the Company was not aware of any non-compliance with such Required Standard of Dealings and its code of conduct regarding securities transactions by Directors during such period.

COMPETING INTERESTS

As at the date of this report, save as disclosed in “Relationship with Controlling Shareholders” section of the prospectus of the Company dated 29 June 2018, none of the Directors, the Controlling Shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group.

AUDIT COMMITTEE

The Company has established an audit committee with the written terms of reference in compliance with the GEM Listing Rules. The audit committee consists of three independent non-executive Directors, namely Mr. SO Alan Wai Shing, who has the appropriate accounting and financial related management expertise and serves as the chairperson of the audit committee, Ms. Lale KESEBI (resigned on 27 May 2022), Mr. Roderick Donald NICHOL (resigned on 27 May 2022), Mr. Tom Kuet SZUTU (appointed on 27 May 2022 and Mr. Kurt Kwai Ching MAK (appointed on 27 May 2022). The financial information in this report has not been audited by the auditor of the Company, but the audit committee has reviewed this report and has provided advice and comments thereon.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

CORPORATE GOVERNANCE

The Company has not made advances to any entity nor engaged in any activities falling under the continuing disclosure requirements pursuant to Rules 17.22 and 17.24 of the GEM Listing Rules. 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 Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as contained in Appendix 15 to the GEM Listing Rules. The Board believes that vesting the roles of both the chairman of the Board and the CEO of the Company in the same person can facilitate the execution of the Group’s business strategies and boost effectiveness of its operation. Taking into account Mr. MCLENNAN’s substantial experience and leadership position in the management of the Company, the Board considers that Mr. MCLENNAN acting as both the chairman of the Board and the CEO of the Company enables effective management of the Company and is in the interests of the Group and the Shareholders as a whole. In addition, the Board now comprises four executive Directors, one non-executive Director and five independent non-executive Directors. The Board will remain appropriately structured with balance of power to provide sufficient checks and supervision to protect the interests of the Company and the Shareholders.

By Order of the Board

Pacific Legend Group Limited

John Warren MCLENNAN

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 14 November 2022

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