

PACIFIC LEGEND GROUP LIMITED

(Incorporated in the Cayman
Islands with limited liability)

Stock Code: 8547



2023 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\$50.4 million for the three months ended 31 March 2023, representing an increase of approximately HK\$11.8 million or 30.53% as compared with the revenue of approximately HK\$38.6 million for the three months ended 31 March 2022.
- The unaudited loss of the Group after tax was approximately HK\$5.0 million for the three months ended 31 March 2023 as compared to a loss of approximately HK\$8.8 million for the three months ended 31 March 2022.
- Basic and diluted loss per share were both 0.34 Hong Kong cent for the three months ended 31 March 2023 compared to basic and diluted loss per share of 0.67 Hong Kong cent for the three months ended 31 March 2022.
- No interim dividend is recommended by the Board for the three months ended 31 March 2023.

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 2023 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 2023

(Expressed in Hong Kong dollars)

	Note	Three months ended 31 March	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	50,390	38,603
Cost of sales		(23,481)	(17,552)
Gross profit		26,909	21,051
Other income and gains	5	854	1,847
Selling and distribution costs		(12,206)	(10,417)
Administrative and other operating expenses		(19,802)	(21,139)
Loss from operations		(4,245)	(8,658)
Finance costs	6(a)	(744)	(164)
Loss before taxation	6	(4,989)	(8,822)
Income tax expense	7	–	–
Loss for the period		(4,989)	(8,822)
Other comprehensive (expenses)/income			
Item that may be classified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of overseas subsidiaries, net of tax		(260)	26
Total comprehensive loss for the period		(5,249)	(8,796)

UNAUDITED FIRST QUARTERLY FINANCIAL INFORMATION

	Note	Three months ended 31 March	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>
Loss for the period attributable to:			
— Owners of the Company		(4,988)	(8,822)
— Non-controlling interests		(1)	—
		<u>(4,989)</u>	<u>(8,822)</u>
Total comprehensive loss attributable to:			
— Owners of the Company		(5,248)	(8,796)
— Non-controlling interests		(1)	—
		<u>(5,249)</u>	<u>(8,796)</u>
		<i>HK cent(s)</i>	<i>HK cent(s)</i>
Loss per share			
Basic and diluted	8	<u>(0.34)</u>	<u>(0.67)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 MARCH 2023

(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 losses HK\$'000	Equity attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
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>
Balance at 1 January 2023 (audited)	13,200	87,982	-	(824)	789	(63,646)	37,501	2,481	39,982
Loss for the period	-	-	-	-	-	(4,988)	(4,988)	(1)	(4,989)
Other comprehensive loss	-	-	-	(260)	-	-	(260)	-	(260)
Total comprehensive loss for the period	-	-	-	(260)	-	(4,988)	(5,248)	(1)	(5,249)
Proceeds from placing of new shares	2,640	11,088	-	-	-	-	13,728	-	13,728
Issuing expenses of placing of new shares	-	(275)	-	-	-	-	(275)	-	(275)
Balance at 31 March 2023 (unaudited)	<u>15,840</u>	<u>98,795</u>	<u>-</u>	<u>(1,084)</u>	<u>789</u>	<u>(68,634)</u>	<u>45,706</u>	<u>2,480</u>	<u>48,186</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.

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**”) and applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the HKICPA, as included in the Company’s 2022 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. 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 HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies
Amendments to HKAS 8	Definition of accounting estimates
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction

The application of the amendments to HKFRSs in the current 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, contracts assets and related depreciation of property, plant and equipment and right-of-use 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 31 March 2023

	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	34,983	–	–	34,983
– Over time	–	–	11,027	11,027
Revenue from other source				
– Over time	–	4,380	–	4,380
	<u>34,983</u>	<u>4,380</u>	<u>11,027</u>	<u>50,390</u>
Segment results	<u>19,473</u>	<u>3,388</u>	<u>3,739</u>	26,600
Unallocated items				
Interest income				7
Depreciation of property, plant and equipment				(104)
Depreciation of right-of-use assets				(63)
Amortisation of intangible assets				(4)
Finance costs				(744)
Unallocated corporate expenses				<u>(30,681)</u>
Loss before taxation				<u>(4,989)</u>
Depreciation of property, plant and equipment	102	643	–	745
Depreciation of right-of-use assets	<u>207</u>	<u>–</u>	<u>–</u>	<u>207</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 31 March 2022

	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	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>

There was no inter-segment revenue for the three months ended 31 March 2023 and 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from external customers

	Three months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Hong Kong	29,393	24,760
United Arab Emirates (the "UAE")	20,221	10,898
The People's Republic of China (excluding Hong Kong and Macao, the "PRC")	776	2,945
	50,390	38,603

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

5. OTHER INCOME AND GAINS

	Three months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Bank interest income	7	13
Interest income from finance leases	53	34
Royalty income from franchising	321	275
COVID-19-related rent concessions received	–	40
Rental income	–	952
Sundry income	94	128
Write off expired trade and other payable	172	140
Gain on disposal of property, plant and equipment	3	–
Net exchange gains	204	265
	854	1,847

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	Three months ended 31 March	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
(a) Finance costs:		
Interest on short-term bank loans	295	2
Interest on lease liabilities	449	162
	<u>744</u>	<u>164</u>
(b) Staff costs:		
Salaries, allowances and commissions	15,210	14,195
Retirement benefits scheme contributions	499	717
Provision for long service payments and employees' end-of-service benefits	196	247
	<u>15,905</u>	<u>15,159</u>
(c) Other items:		
Amortisation of intangible assets	4	31
Auditors' remuneration	277	253
Cost of inventories recognised as expense	22,763	16,814
Depreciation of property, plant and equipment	849	974
Depreciation of right-of-use assets	270	1,190
Expenses related to short-term leases	903	2,038
Variable lease payments not included in the measurement of lease liabilities	220	6

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX EXPENSE

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

	Three months ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax		
— Provision for the period	—	—

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 2023 is calculated at 8.25% (three months ended 31 March 2022: 8.25%) of the first HK\$2,000,000 and 16.5% (2022: 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.

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period attributable to equity shareholders of the Company of HK\$4,988,000 (2022: HK\$8,822,000) and the weighted average of 1,478,400,000 (2022: 1,320,000,000) ordinary shares in issue.

No diluted loss per share for the three months ended 31 March 2023 and 2022 respectively was presented as there were no dilutive potential ordinary shares in issue during both periods.

9. DIVIDENDS

The Directors do not recommend the payment of any interim dividend in respect of the three months ended 31 March 2023 (three months ended 31 March 2022: 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 2023, the general market conditions have been gradually recovering as the world including Hong Kong entered the post-COVID-19 era, with the cancellation of social distancing measures and the opening of the international borders. The impact of “returning to normal life” is twofold: On one hand the Hong Kong property developers are more willing to release their residential flats for sale, which helped boost the Group’s projects business, on the other hand such increase in supply in the residential flats has an adverse effect on Hong Kong second hand property market which has, together with the increase in overseas travelling of locals after the opening of borders, resulted in the lukewarm growth on retail furniture revenues. Revenue growth is also noted in United Arab Emirates with our Dubai Hills Mall store opened last year as well as increased participation of design team for corporate sales clients.

For the forthcoming months of 2023, we will continue to focus on the needs of our customers in different regions and market segments in which we operate, and develop our products and services which serve their needs. A furniture package project in respect of a large residential property development site is expected to be completed in mid-2023 and the corresponding revenue will be recognised in the second or third quarter of 2023.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

Revenue

The Group's revenue for the three months ended 31 March 2023 (the "**First Quarter 2023**" or the "**Current Quarter**") was approximately HK\$50.4 million, representing an increase of HK\$11.8 million or 30.5% as compared with that of the three months ended 31 March 2022 (the "**First Quarter 2022**" or the "**Corresponding Period in 2022**") of HK\$38.6 million.

The revenue derived from the Furniture Sales increased by approximately 17.6% from approximately HK\$29.7 million in the First Quarter 2022 to approximately HK\$35.0 million in the First Quarter 2023.

In Hong Kong, the retails sales revenue in the First Quarter 2023 increased by approximately 15.1% from the Corresponding Period in 2022. Such growth was rationalised on a low base last year against the 5th wave of COVID-19 pandemic in February and March 2022. Hong Kong embraced the return of normal life following the relaxation of the social distancing measures, the opening of borders to mainland China and to the world, and finally, the lifting of mask wearing requirements. However, such signs of recovery do not benefit all the sectors. The opening of borders lead to continued level of outflux of locals travelling out of Hong Kong, as well as reduced sentiment to consumer spending locally in Hong Kong on home-furnishing. The second-hand property market was still lukewarm in the First Quarter 2023, which also slowed down the recovery of furniture retail market.

The corporate sales in Hong Kong in the First Quarter 2023 noted an increase of approximately 148.8% compared to the Corresponding Period in 2022. Again the recovery was based on the exceptionally low revenue in First Quarter 2022 due to the fifth wave of the COVID-19 last year, and therefore such growth did not have significant contribution to the net results of the Group.

Our retail revenue in Dubai, the UAE in the First Quarter 2023 increased by approximately 15.9% that in the Corresponding Period in 2022. The growth was mainly attributable to the new store in Dubai Hills Mall which opened in the third quarter 2022. The same store revenue for other two stores noted a decline due to certain seasonal effect on the footfall as a result of Ramadan. The corporate sales in UAE also recorded a growth of approximately 49.5% with increased participation by our Dubai design team which helped contribute to the growth in revenue.

The Group's online business noted a decrease of approximately 13.0% in the First Quarter 2023 compared to the Corresponding Period in 2022. The decrease mainly due to the close of Shanghai's An Fu Lu retail store in March 2022, which reduced Indigo's exposure to mainland Chinese, and the surge of overseas travelling by the people of Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The revenue from the Furniture Rental business decreased by approximately 12.6% from approximately HK\$5 million in the First Quarter 2022 to approximately HK\$4.4 million in the First Quarter 2023. While the Group still maintained a stable inflow of new rental contracts, there have been fewer new long term rental contracts recognised as finance lease sales, which resulted in accounting terms the decrease in income from the Furniture Rental business.

The revenue from the Projects business was HK\$11.0 million in First Quarter 2023, as compared to approximately HK\$3.9 million in the First Quarter 2022. As the business returned to normal in post COVID-19 era, the property developers in Hong Kong are more willing to release their residential flats for sale. Our UAE project team also contributed to the growth in the revenue following the completion in the Current Quarter of certain stages of furniture delivery to a local conglomerate in respect of their crew quarters.

Gross Profit

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

The gross profit of the Group increased by HK\$5.8 million or 27.8% from approximately HK\$21.1 million in the Corresponding Period in 2022 to HK\$26.9 million in the First Quarter 2023. We noted a slight decrease in overall gross profit margin from 54.5% in First Quarter 2022 to 53.4% in First Quarter 2023 due to increase in relative proportion of Projects revenue with lower gross profit margin than Furniture Sales business.

Other income and gains

Other income and gains in the Current Quarter amounted to HK\$0.9 million, compared to HK\$1.8 million in the Corresponding Period in 2022, such income and gains in the First Quarter 2022 included an one-off sublease income by An Fu Lu Store in Shanghai in the First Quarter 2022 of HK\$0.9 million, which was non-recurring following the close of the An Fu Store in March 2022.

Selling and Distribution Costs

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

The Group's selling and distribution costs increased by approximately 17.2% from approximately HK\$10.4 million in the First Quarter 2022 to approximately HK\$12.2 million in the First Quarter 2023. The increase of HK\$1.8 million was mainly related to sales-related staff costs, outbound freight charges and advertising expenses, such increase was in line with the growth in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 6.3% from approximately HK\$21.1 million in the First Quarter 2022 to approximately HK\$19.8 million in the First Quarter 2023. This decrease was mainly the result of the savings of the rental expenses (including depreciation of rights of use assets) as a result of (i) the subcontracting Hong Kong warehouse to a service provider in 2022 and (ii) the reduction of depreciation of rights of use of assets following the impairment of such assets in the fourth quarter of 2022.

Finance costs

The Group's finance costs consisted of (i) bank interest expenses on bank loans and import loan financing of approximately HK\$295,000 in the First Quarter 2023 (Corresponding Period in 2022: approximately HK\$2,000); and (ii) interest expenses of HK\$449,000 (Corresponding Period in 2022: approximately HK\$162,000) on the lease liabilities in respect of the tenancies of certain premises, which the Group has entered into as a lessee.

Loss for the period

Loss attributable to equity shareholders of the Company for the Current Quarter amounted to approximately HK\$5.0 million (First Quarter 2022: loss of approximately HK\$8.8 million).

The decrease in loss in the First Quarter 2023 was mainly attributable to the growth in gross profit and the savings of administrative and other operating expenses, net of the negative impact of the (i) increase in selling and distribution costs and (ii) decrease in other income and gains as mentioned above.

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 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 of HK\$23.7 millions ("**Unutilised Net Proceeds**", which was deposited into licensed banks of Hong Kong and Dubai).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Use of Proceeds from the Listing (continued)

The following table sets forth the status of the use of the Net Proceeds as at 31 March 2023:

	Allocation of the unutilised Net Proceeds as stated in the Company's announcement dated 18 February 2022 <i>HK\$'000</i> <i>(approximately)</i>	Utilised Net Proceeds up to 31 March 2023 <i>HK\$'000</i> <i>(approximately)</i>	Balance of Net Proceeds as at 31 March 2023 <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	12,284	4,151	8,133	End of December 2023
Expand the Group's retail network by opening additional retail stores in Hong Kong	2,000	855	1,145	End of December 2023
Enhance the Group's online shop and the Group's information technology capability	3,000	1,790	1,210	End of December 2023
Recruitment for the Group's planned new retail stores in Mainland China and UAE	1,392	–	1,392	End of December 2023
General working capital	5,000	5,000	–	Not applicable
	<u>23,676</u>	<u>11,796</u>	<u>11,880</u>	

Use of Proceeds from the Placing

The net proceeds from a placing of the 264,000,000 new shares of the Company on 6 February 2023 (the "Placing"), after deduction of the relevant fees paid by the Company in connection therewith, were approximately HK\$13.5 million. The Company intends to apply the unutilised net proceeds from the Placing to (a) the possible merger and acquisition opportunities to expand its project segment with reference to the Company's business update announcement dated 20 December 2022 and to (b) general working capital of the Group, as disclosed in the announcement of the Company dated on 9 January 2023. Up to 31 March 2023, approximately HK\$7.8 million has been utilised for the working capital of the Group.

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 2023, 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	Percentage of shareholding <i>(note 1)</i>
Mr. John Warren MCLENNAN	Interest in a controlled corporation and interest held jointly with other persons <i>(note 2)</i>	414,500,000	26.17%
Mrs. Jennifer Carver MCLENNAN	Interest of spouse <i>(notes 3 and 5)</i>	414,500,000	26.17%
Ms. WONG Wing Man	Interest in a controlled corporation <i>(note 4)</i>	215,050,000	13.58%

Notes:

- (1) The calculation is based on the total number of 1,584,000,000 Shares in issue as at 31 March 2023.
- (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 “Single Largest Shareholders Group”). Each member of the Single Largest Shareholders Group 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.
- (4) Ms. WONG Wing Man holds such 215,050,000 Shares through Century Great Investments Limited which is wholly owned by Ms. WONG.
- (5) Mrs. MCLENNAN has retired as non-executive Director with effect from the conclusion of the Company’s annual general meeting dated 12 May 2023.

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 the respective associated corporations held	Approximate percentage of shareholding in the associated corporations
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>notes 2 and 3</i>)	2,530	40.48%
Ms. WONG Wing Man	Century Great Investments Limited	Beneficial interest	1	100%

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.
- (3) Mrs. MCLENNAN has retired as non-executive Director with effect from the conclusion of the Company's annual general meeting dated 12 May 2023.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2023, the register of substantial shareholders required to be kept under Section 336 of Part XV of the SFO showed that the Company had been notified of the following substantial shareholders' interests, being 5% or more in the issued ordinary share capital of the Company. These interests are in addition to those disclosed above in respect of the Directors and Chief Executives.

Name	Capacity/ Nature of interest	Number of Shares held (note 5)	Percentage of shareholding (note 2)
Double Lions Limited	Beneficial interest	414,500,000 (L)	26.17%
Ms. Tracy-Ann FITZPATRICK	Interest in a controlled corporation, interest held jointly with other persons (note 1)	414,500,000 (L)	26.17%
Mr. David Frances BULBECK	Interest of spouse (note 3)	414,500,000 (L)	26.17%
Ms. Alison Siobhan BAILEY	Interest in a controlled corporation, interest held jointly with other persons (note 1) and interest of spouse (note 4)	414,500,000 (L)	26.17%
Mr. James Seymour Dickson LEACH	Interest in a controlled corporation, interest held jointly with other persons (note 1) and interest of spouse (note 4)	414,500,000 (L)	26.17%
Mr. John Martin RINDERKNECHT	Interest in a controlled corporation and interest held jointly with other persons (note 1)	414,500,000 (L)	26.17%
Century Great Investments Limited	Beneficial interest	215,050,000 (L)	13.50%
Mr. Cheung Wai Keung	Beneficial interest	132,000,000 (L)	8.33%

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 "Single Largest Shareholders Group"). Each member of the Single Largest Shareholders Group 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 1,584,000,000 Shares in issue as at 31 March 2023.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS (CONTINUED)

- (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.

Save as disclosed above, as at 31 March 2023, 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 2023.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the three months ended 31 March 2023 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 2023, 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 2023, 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, while Mr. Tom Kuet SZUTU and Mr. Kurt Kwai Ching MAK had been members of the audit committee until their retirement as independent non-executive Directors of the Company with effect from the conclusion of the Company’s annual general meeting on 12 May 2023. Mr. Lee Kwong Ming and Mr. Lee Fung Lun were appointed members of the audit committee on the same date.

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 three executive Directors and three 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, 12 May 2023

As at the date of this report, the Board comprises Mr. John Warren McLennan, Ms. Shawlain Ahmin and Ms. Wong Wing Man as executive Directors; and Mr. So Alan Wai Shing, Mr. Lee Kwong Ming and Mr. Lee Fung Lun, as independent non-executive Directors.