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PACIFIC LEGEND GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8547)

**ANNOUNCEMENT OF THE
UNAUDITED CONSOLIDATED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The Board of Directors (the “**Board**”) of Pacific Legend Group Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2023. This announcement, containing the full text of the 2023 interim report of the Company, complies with the relevant requirements of The Rules Governing the Listing of Securities on GEM of The Stock Exchange (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of the interim results. The Company’s 2023 interim report will be available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.pacificlegendgroup.com on 11 August 2023, and the printed version of the Company’s 2023 interim report will be despatched to the shareholders of the Company as soon as reasonably practicable after publishing on such websites.

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

Hong Kong, 11 August 2023

As at the date of this announcement, 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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the day of its posting. This announcement will also be published on the Company’s website at www.pacificlegendgroup.com.

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 that 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.

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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\$135.9 million for the six months ended 30 June 2023, representing an increase of approximately HK\$53.7 million or 65.3% as compared with the revenue of approximately HK\$82.2 million for the six months ended 30 June 2022.
- The unaudited loss of the Group after tax was approximately HK\$1.5 million for the six months ended 30 June 2023 as compared to a loss of approximately HK\$13.4 million for the six months ended 30 June 2022.
- Basic and diluted loss per share were both minimal (i.e. less than 0.01 Hong Kong cent) for the six months ended 30 June 2023 compared to basic and diluted loss per share of 1.01 Hong Kong cents for the six months ended 30 June 2022.
- No interim dividend is recommended by the Board for the six months ended 30 June 2023.

UNAUDITED INTERIM FINANCIAL INFORMATION

The board of Directors (the “**Board**”) of Pacific Legend Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months and six months ended 30 June 2023 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS AND SIX MONTHS ENDED 30 JUNE 2023

(Expressed in Hong Kong dollars)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	85,543	43,626	135,933	82,229
Cost of sales		(43,649)	(16,401)	(67,130)	(33,953)
Gross profit		41,894	27,225	68,803	48,276
Other income and gains	5	166	1,983	1,020	3,830
Selling and distribution costs		(12,037)	(11,770)	(24,243)	(22,187)
Provision for expected credit losses on trade and other receivables, net		(2,444)	-	(2,444)	-
Administrative and other operating expenses		(23,431)	(21,807)	(43,233)	(42,946)
Profit/(loss) from operations		4,148	(4,369)	(97)	(13,027)
Finance costs	6(a)	(613)	(160)	(1,357)	(324)
Profit/(loss) before taxation	6	3,535	(4,529)	(1,454)	(13,351)
Income tax expense	7	-	-	-	-
Profit/(loss) for the period		3,535	(4,529)	(1,454)	(13,351)
Other comprehensive income					
Item that may be classified subsequently to profit or loss:					
– Exchange differences on translation of financial statements of overseas subsidiaries, net of tax		1,443	886	1,183	912
Total comprehensive income/(loss) for the period		4,978	(3,643)	(271)	(12,439)
Profit/(loss) for the period attributable to:					
– Owners of Company		4,918	(4,529)	(70)	(13,351)
– Non-controlling interests		(1,383)	-	(1,384)	-
		3,535	(4,529)	(1,454)	(13,351)
Total comprehensive income/(loss) attributable to:					
– Owners of Company		6,361	(3,643)	1,113	(12,439)
– Non-controlling interests		(1,383)	-	(1,384)	-
		4,978	(3,643)	(271)	(12,439)
		HK cent(s)	HK cent(s)	HK cent(s)	HK cent(s)
Earnings/(loss) per share					
Basic and diluted	8	0.31	(0.34)	-*	(1.01)

* Denotes loss per share amount below 0.01 Hong Kong cent.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023
(Expressed in Hong Kong dollars)

	Notes	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	3,042	1,472
Intangible assets		29	36
Goodwill		2,491	–
Right-of-use assets	11	9,116	1,357
Finance lease receivables		1,780	1,014
Financial assets measured at fair value through profit or loss		5,938	5,938
Non-refundable deposit	12	4,000	4,000
		<u>26,396</u>	<u>13,817</u>
Current assets			
Inventories		37,752	40,217
Contract assets		5,301	3,555
Trade and other receivables	12	50,104	48,618
Finance lease receivables		3,712	2,939
Pledged bank deposits	13	3,000	3,000
Cash and cash equivalents	13	10,718	17,824
		<u>110,587</u>	<u>116,153</u>
Current liabilities			
Trade and other payables	14	22,553	17,565
Contract liabilities		19,314	35,252
Interest-bearing bank borrowings	15	11,221	7,667
Lease liabilities		11,889	13,056
Tax payable		947	986
		<u>65,924</u>	<u>74,526</u>
Net current assets		<u>44,663</u>	<u>41,627</u>
Total assets less current liabilities		<u>71,059</u>	<u>55,444</u>
Non-current liabilities			
Lease liabilities		9,961	8,313
Provisions		7,765	7,149
		<u>17,726</u>	<u>15,462</u>
NET ASSETS		<u>53,333</u>	<u>39,982</u>
Capital and reserves			
Share capital	16	15,840	13,200
Reserves		36,227	24,301
Equity attributable to owners of the Company		<u>52,067</u>	<u>37,501</u>
Non-controlling interests		1,266	2,481
TOTAL EQUITY		<u>53,333</u>	<u>39,982</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 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)/ profits HK\$'000	Sub total 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	-	-	-	-	-	(13,351)	(13,351)	-	(13,351)
Other comprehensive income	-	-	-	912	-	-	912	-	912
Total comprehensive income/ (loss) for the period	-	-	-	912	-	(13,351)	(12,439)	-	(12,439)
Share options lapsed	-	-	(177)	-	-	177	-	-	-
Balance at 30 June 2022 (unaudited)	<u>13,200</u>	<u>87,982</u>	<u>2,837</u>	<u>916</u>	<u>789</u>	<u>(33,465)</u>	<u>72,259</u>	<u>4,000</u>	<u>76,259</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	-	-	-	-	-	(70)	(70)	(1,384)	(1,454)
Other comprehensive income	-	-	-	1,183	-	-	1,183	-	1,183
Total comprehensive income/ (expense) for the period	-	-	-	1,183	-	(70)	1,113	(1,384)	(271)
Proceeds from placing of new shares	2,640	11,088	-	-	-	-	13,728	-	13,728
Issuing expenses of placing of new shares	-	(275)	-	-	-	-	(275)	-	(275)
Non-controlling interest on acquisition of a subsidiary	-	-	-	-	-	-	-	169	169
Balance at 30 June 2023 (unaudited)	<u>15,840</u>	<u>98,795</u>	<u>-</u>	<u>359</u>	<u>789</u>	<u>(63,716)</u>	<u>52,067</u>	<u>1,266</u>	<u>53,333</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Net cash used in operating activities	(8,757)	(9,894)
Net cash used in investing activities	(5,714)	(4,886)
Net cash generated from/(used in) financing activities	7,306	(3,796)
Net decrease in cash and cash equivalents	(7,165)	(18,576)
Cash and cash equivalents at 1 January	17,824	33,390
Effect of foreign exchange rate changes	59	(99)
Cash and cash equivalents at 30 June	<u>10,718</u>	<u>14,715</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**”) 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 unaudited condensed 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 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 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

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 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, 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

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 June 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	26,705	–	–	26,705
— Over time	–	–	50,383	50,383
Revenue from other source				
— Over time	–	8,455	–	8,455
	<u>26,705</u>	<u>8,455</u>	<u>50,383</u>	<u>85,543</u>
Segment results	<u>14,131</u>	<u>6,396</u>	<u>20,511</u>	41,038
Unallocated items				
Interest income				29
Provision for expected credit loss allowance of trade and other receivables, net				(2,444)
Depreciation of property, plant and equipment				–
Depreciation of right-of-use assets				(61)
Amortisation of intangible assets				(3)
Finance costs				(613)
Unallocated corporate expenses				<u>(34,411)</u>
Profit before taxation				<u>3,535</u>
Depreciation of property, plant and equipment	172	970	–	1,142
Depreciation of right-of-use assets	<u>684</u>	<u>–</u>	<u>–</u>	<u>684</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the six months ended 30 June 2023

	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	61,688	–	–	61,688
— Over time	–	–	61,410	61,410
Revenue from other source				
— Over time	–	12,835	–	12,835
	<u>61,688</u>	<u>12,835</u>	<u>61,410</u>	<u>135,933</u>
Segment results	<u>33,604</u>	<u>9,784</u>	<u>24,250</u>	67,638
Unallocated items				
Interest income				36
Provision for expected credit loss allowance of trade and other receivables, net				(2,444)
Depreciation of property, plant and equipment				(100)
Depreciation of right-of-use assets				(124)
Amortisation of intangible assets				(7)
Finance costs				(1,357)
Unallocated corporate expenses				<u>(65,096)</u>
Loss before taxation				<u>(1,454)</u>
Depreciation of property, plant and equipment	274	1,613	–	1,887
Depreciation of right-of-use assets	<u>891</u>	<u>–</u>	<u>–</u>	<u>891</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the three months ended 30 June 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	35,855	–	–	35,855
– Over time	–	–	3,449	3,449
Revenue from other source				
– Over time	–	4,322	–	4,322
	<u>35,855</u>	<u>4,322</u>	<u>3,449</u>	<u>43,626</u>
Segment results	<u>20,581</u>	<u>4,111</u>	<u>1,862</u>	26,554
Unallocated items				
Interest income				14
Depreciation of property, plant and equipment				(12)
Depreciation of right-of-use assets				(353)
Amortisation of intangible assets				(32)
Finance costs				(160)
Unallocated corporate expenses				<u>(30,540)</u>
Loss before taxation				<u>(4,529)</u>
Depreciation of property, plant and equipment	365	708	–	1,073
Depreciation of right-of-use assets	<u>1,044</u>	<u>–</u>	<u>–</u>	<u>1,044</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the six months ended 30 June 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	65,595	–	–	65,595
— Over time	–	–	7,301	7,301
Revenue from other source				
— Over time	–	9,333	–	9,333
	<u>65,595</u>	<u>9,333</u>	<u>7,301</u>	<u>82,229</u>
Segment results	<u>34,940</u>	<u>7,440</u>	<u>3,500</u>	45,880
Unallocated items				
Interest income				27
Depreciation of property, plant and equipment				(164)
Depreciation of right-of-use assets				(640)
Amortisation of intangible assets				(63)
Finance costs				(324)
Unallocated corporate expenses				<u>(58,067)</u>
Loss before taxation				<u>(13,351)</u>
Depreciation of property, plant and equipment	449	1,446	–	1,895
Depreciation of right-of-use assets	<u>1,947</u>	<u>–</u>	<u>–</u>	<u>1,947</u>

There was no inter-segment revenue for the six months ended 30 June 2023 and 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue from external customers

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Hong Kong	63,397	27,786	92,790	52,546
United Arab Emirates (the "UAE")	21,668	13,856	41,889	24,754
The People's Republic of China (excluding Hong Kong and Macao, the "PRC")	478	1,984	1,254	4,929
	85,543	43,626	135,933	82,229

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

Non-current assets

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Hong Kong	15,496	11,839
UAE	8,536	164
PRC	584	800
	24,616	12,803

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. OTHER INCOME AND GAINS

	Three months ended 30 June		Six months ended 30 June	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Bank interest income	29	14	36	27
COVID-19-related rent concessions received	–	382	–	422
Government grants received	–	1,536	–	1,536
Interest income from finance leases	87	65	140	99
Net exchange gains	(204)	(265)	–	–
Other income from franchisee	–	–	–	–
Rental income	–	–	–	952
Royalty income from franchising	160	220	481	495
Sundry income	94	31	191	159
Write off expired trade and other payables	–	–	172	140
	166	1,983	1,020	3,830

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. PROFIT/(LOSS) BEFORE TAXATION

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

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
(a) Finance costs:				
Interest on short-term bank loans	210	–	505	2
Interest on lease liabilities	403	160	852	322
	<u>613</u>	<u>160</u>	<u>1,357</u>	<u>324</u>
(b) Staff costs:				
Salaries, allowances and commissions	16,308	15,857	31,518	30,052
Retirement benefits scheme contributions	491	855	990	1,572
Provision for long service payments and employees' end-of-service benefits	197	247	393	494
	<u>16,996</u>	<u>16,959</u>	<u>32,901</u>	<u>32,118</u>
(c) Other items:				
Amortisation of intangible assets	3	32	7	63
Auditor's remuneration	255	253	532	506
Cost of inventories recognised as expense	42,717	15,693	65,480	32,507
Depreciation of property, plant and equipment	1,138	1,085	1,987	2,059
Depreciation of right-of-use assets	745	1,397	1,015	2,587
Net exchange loss	1,210	1,067	1,006	802
Loss on disposals of property, plant and equipment	–	37	–	37
Expenses related to short term leases	851	1,766	1,754	3,084
Variable lease payments not included in the measurement of lease liabilities	57	58	277	64
(Reversal of)/provision for expected credit loss allowance for:				
– Trade receivables	(1,056)	–	(1,056)	–
– Other receivables	3,500	–	3,500	–
	<u>3,500</u>	<u>–</u>	<u>3,500</u>	<u>–</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 six months ended 30 June 2023 and 2022.

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 six months ended 30 June 2023 and 2022.

8. EARNINGS/(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\$70,000 (six months ended 30 June 2022: loss of HK\$13,351,000) and the weighted average of 1,531,491,713 (six months ended 30 June 2022: 1,320,000,000) ordinary shares in issue.

No diluted loss per share for the six months ended 30 June 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 six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

	Decoration and fittings <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Furniture for rental <i>HK\$'000</i>	Total <i>HK\$'000</i>
Carrying amount:						
At 1 January 2023 (audited)	62	9	41	43	1,317	1,472
Additions	853	15	89	322	2,244	3,523
Acquisition of a subsidiary	-	-	-	37	-	37
Depreciation	(274)	(2)	(56)	(42)	(1,613)	(1,987)
Exchange realignment	-	-	-	(1)	(2)	(3)
At 30 June 2023 (unaudited)	<u>641</u>	<u>22</u>	<u>74</u>	<u>359</u>	<u>1,946</u>	<u>3,042</u>

11. RIGHT-OF-USE ASSETS

	Leased properties <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Carrying amount:			
At 1 January 2023 (audited)	1,353	4	1,357
Additions	8,805	-	8,805
Depreciation	(1,014)	(1)	(1,015)
Exchange realignment	(31)	-	(31)
At 30 June 2023 (unaudited)	<u>9,113</u>	<u>3</u>	<u>9,116</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES

	30 June 2023	31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade receivables	20,922	19,886
Less: expected credit loss allowance	(2,404)	(3,463)
	18,518	16,423
Other receivables	9,005	10,202
Trade deposits	9,131	11,788
Rental and other deposits	7,272	6,983
Prepayments	6,178	3,222
	50,104	48,618
Non-current		
Non-refundable deposit	4,000	4,000
	54,104	52,618

At 30 June 2023 and 31 December 2022, apart from certain deposits totalling HK\$7,272,000 and HK\$6,983,000 respectively, all trade and other receivables are expected to be recovered or recognised as expenses within one year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Within 1 month	10,296	8,266
More than 1 month but less than 3 months	5,120	6,382
More than 3 months but less than 12 months	2,840	1,771
More than 12 months	262	4
	<u>18,518</u>	<u>16,423</u>

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

13. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	30 June 2023 <i>HK'000</i> (Unaudited)	31 December 2022 <i>HK'000</i> (Audited)
Cash and cash equivalents	10,718	17,824
Pledged bank deposits (<i>Note a</i>)	3,000	3,000
	<u>13,718</u>	<u>20,824</u>

Notes:

- (a) Pledged bank deposits had been pledged to secure the Group's interest-bearing bank borrowings (note 15) and were classified as current assets.
- (b) The Group's restricted cash was held in the designed bank account of the Group. It shall only be used for trade purchases payments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE AND OTHER PAYABLES

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Trade payables	4,296	2,573
Deposits received	3,035	3,193
Other payables	6,495	2,798
Accruals	8,727	9,001
	22,553	17,565

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The following is an ageing analysis of trade payables presented based on the invoice date:

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Within 1 month	1,461	1,674
More than 1 month but less than 3 months	2,527	417
More than 3 months	308	482
	4,296	2,573

Included in accruals and other payables as at 30 June 2023 were delivery service and manpower support charges payable to Winford Inc. Limited of HK\$893,000 (31 December 2022: HK\$466,000), which is unsecured, interest-free and payable within 21 days after the invoice date. A director, Mr. John Warren McLennan, has a 29% equity interest in Winford Inc. Limited as at 30 June 2023 and 31 December 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. INTEREST-BEARING BANK BORROWINGS

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Short terms bank loans (<i>Note a</i>)	956	1,968
Bank borrowing (<i>Note b</i>)	10,265	5,699
	11,221	7,667
Less: Amount included under current liabilities (including borrowings with a repayable on demand clause)	(11,221)	(7,667)
Amount shown under non-current liabilities	<u>–</u>	<u>–</u>

Notes:

- (a) As at 30 June 2023 and 31 December 2022, the short term bank loans were secured by a pledged bank deposit of HK\$3,000,000 and a corporate guarantee of HK\$3,000,000 from the Company.
- (b) As at 30 June 2023, the bank loan amounting to United Arab Emirates Dirham (“AED”) 4,812,000 (equivalent to HK\$10,265,000) (31 December 2022: HK\$5,699,000) was secured by a personal guarantee executed by a director of the Company. The loan is interest bearing at fixed market rate of 10% and are repayable in instalments over a period of 3 years (31 December 2022: 4 years). The proceeds were used to finance the operating activities.

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 1 January 2023 and 30 June 2023 (unaudited)	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2023	1,320,000,000	13,200
Proceeds from placing of new shares at 6 February 2023	264,000,000	2,640
At 30 June 2023 (unaudited)	<u>1,584,000,000</u>	<u>15,840</u>

On 27 July 2023, the Company has completed another share placing of 230,700,000 new shares with par value of HK\$0.01 each.

On 28 July 2023, the Company has completed a share consolidation on the basis that every ten (10) issued and unissued share of HK\$0.01 each would be consolidated into one (1) consolidated share. Please refer to note 20 for further details.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. CONTINGENT LIABILITIES

At 30 June 2023 and 31 December 2022, the Group had no material contingent liabilities.

18 ACQUISITION OF A SUBSIDIARY

On 18 May 2023, Miracle Ace International Limited, a wholly owned subsidiary of the Group, acquired 75.02% of the issued shares in Brand Consultant Management Limited (“**Brand Consultant**”), for consideration of HK\$3,000,000. Brand Consultant is principally engaged in provision of consultancy services. Such acquisition has been accounted for as an acquisition of business using the acquisition method.

As of the date of approval of these unaudited condensed consolidated financial statements, the allocation of the purchase price for the acquisition of Brand Consultant was still on-going by the directors of the Company. The preliminary purchase price allocation set out below is also based on preliminary appraisals and other estimates by management and is subject to change. Based on the latest information available, the difference between the purchase price and the value of the assets acquired and the liabilities assumed of approximately HK\$2,491,000.

	(Unaudited) HK\$'000
Consideration transferred	
Cash paid	<u>3,000</u>
Assets and liabilities recognised at the date of acquisition (Amounts determined on a provisional basis)	
Cash and cash equivalents	269
Property, plant and equipment	37
Other receivables	385
Accruals	<u>(13)</u>
	<u>678</u>

Acquisition-related costs amounting to HK\$76,000 have been excluded from the consideration transferred but recognised directly as an expenses in the period within the “Administrative and other operating expenses” line item in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18 ACQUISITION OF A SUBSIDIARY (CONTINUED)

Non-controlling interest

The non-controlling interest (24.98%) in Brand Consultant recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Brand Consultant and amounted to HK\$169,000.

Goodwill arising an acquisition

	(Unaudited) HK\$'000
Consideration transferred	3,000
Plus: non-controlling interest ((24.98%) in Brand Consultant)	169
Less: recognised amounts of net assets acquired	<u>(678)</u>
Goodwill arising on acquisition	<u><u>2,491</u></u>

Net cash outflows arising on acquisition of Brand Consultant

	(Unaudited) HK\$'000
Consideration paid in cash	3,000
Less: bank balances and cash acquired	<u>(269)</u>
	<u><u>2,731</u></u>

Impact of acquisition on the results of the Group

The acquired business contributed revenues of HK\$nil and net profit of HK\$66,000 to the Group for the period from 18 May 2023 to 30 June 2023. If the acquisition had occurred on 1 January 2023, the consolidated revenue and consolidated loss after tax for the period ended 30 June 2023 would have been HK\$135,933,000 and HK\$1,397,000 respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel

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

The remuneration of key management personnel during the periods of six months ended 30 June 2023 and 2022 respectively, were as follows:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Salaries, allowances and commission	2,086	3,127
Share-based payment expenses	–	–
Retirement benefits scheme contributions	13	36
Provision for long service payments and employees' end-of-service benefits	7	35
	<u>2,106</u>	<u>3,198</u>

(b) Other related party transactions

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following material transactions with related parties during the six months ended 30 June 2023 and 2022 respectively:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Winford Inc. Limited		
– Delivery charge expense	2,620	1,670
Mr. John Warren McLennan		
– Sales of home furniture and accessories	1	–
Ms. Tracy-Ann Fitzpatrick		
– Sales of home furniture and accessories	–	270
Ms. Mok Lai Yin Fiona		
– Sales of home furniture and accessories	<u>22</u>	<u>–</u>

Note: Ms. Mok Lai Yin Fiona resigned as the Company's director with effect from 15 March 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. EVENTS OCCURRING AFTER THE REPORTING DATE

Completion of Placing of new shares

On 9 June 2023, the Company and a placing agent entered into a placing agreement to subscribe a maximum of 316,800,000 new ordinary shares (the “**Shares**”) of the Company at the placing price of HK\$0.078 per Share (the “**Placing**”). The Shares were issued under the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting held on 12 May 2023. A total of 230,700,000 Placing Shares (the “**Placing Shares**”), with par value of HK\$0.01 each, were eventually placed to not less than six independent placees on 27 July 2023 with net proceeds (after deduction of commission and other expenses of the Placing) of approximately HK\$17.6 million. The closing market price per share of the immediately preceding business day was HK\$0.058. The premium of the issue price to market price was approximately 34.48%.

Details of the Placing are set out in the Company’s announcements dated 9 June 2023, 30 June 2023 and 27 July 2023. The Directors intended to use the estimated net proceeds to possible merger and acquisition opportunities in future and to general working capital of the Group.

Share Consolidation

On 16 June 2023, the directors of the Company proposed to implement a share consolidation on the basis that every ten (10) issued and unissued shares of HK\$0.01 each would be consolidated into one (1) consolidated share of HK\$0.1 each.

Pursuant to an ordinary resolution passed in an extraordinary general meeting of the Company on 26 July 2023, the share consolidation was approved by the shareholders of the Company and has become effective on 28 July 2023. Immediately after the share consolidation, the total number of issued shares of the Company was adjusted from 1,814,700,000 to 181,470,000.

Details of the Share Consolidation were set out in the Company’s announcements dated 16 June 2023, 10 July 2023 and 26 July 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

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

During the six months ended 30 June 2023, we have completed a few projects which contributed significantly to the profit and loss in the second quarter of 2023. On the other hand, the second-hand property market in Hong Kong was still weak in the first half of 2023 due to the continuous change in demography in the last few years and the property developers’ aggressiveness in the first-hand residential property market. Moreover, the opening of borders and depreciation of Renminbi also had an adverse impact on Hong Kong Retail as the locals are more willing to spend monies outside Hong Kong, either travelling overseas or in mainland China.

Notwithstanding the increasing competition from other furniture retailers, a small growth in revenue has been noted in our United Arab Emirates retail and corporate sales businesses with the newly opened Dubai Hills Mall store and the contribution by our design team in Dubai.

Following the Company’s annual general meeting on 12 May 2023, Mrs. Jennifer Carver McLennan has retired as a non-executive Director; Mr. Tom Kuet Szutu and Mr. Kurt Kwai Ching Mak have retired as independent non-executive Directors; and Mr. Wong Ka Man has retired as an executive Director. Mr. So Kin Ting Wilson has resigned as executive Director on the same date. The Board thanked the outgoing Directors for their contribution during their tenure in office and wish them every success in future, and believed that such changes in the board will not have significant impact to the operations for the Group.

On 18 May 2023, the Group has completed its acquisition of 75.02% of the entire issued shares of Brand Consultant Management Limited (“**Brand Consultant**”), and two of the Company’s executive Directors, namely Ms. Shawlain Ahmin and Ms. Wong Wing Man have joined the board of directors of Brand Consultant after the acquisition to represent the Group’s interest in Brand Consultant.

Brand Consultant is a limited company registered in Hong Kong, which provides consultancy services on interior design and renovation of business premises and shops for certain famous business enterprises in Hong Kong. The Group believed that such acquisition could strengthen its Projects business and benefit to its future development.

The Company have completed two placings of new shares on 6 February and 27 July 2023, and issued 264,000,000 and 230,700,000 shares accordingly. The Company has raised net proceeds of HK\$13.5 million and HK\$17.6 million (after deduction of commission and other expenses of the placings) respectively. For details of these two placings please refer to p.32 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

For the remaining 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. Our Projects business in Hong Kong still has a strong pipeline on furniture packages as the property developers have become more aggressive in releasing their residential flats for sale. However, such pipeline will more likely materialise in 2024 and afterwards.

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2023 (the "**First Half Year 2023**") was approximately HK\$135.9 million, representing an increase of HK\$53.7 million or 65.3% as compared with that of the six months ended 30 June 2022 (the "**First Half Year 2022**" or the "**Corresponding Period in 2022**") of approximately HK\$82.2 million.

The revenue derived from the Furniture Sales business decreased by approximately 6.0% from approximately HK\$65.6 million in the First Half Year 2022 to approximately HK\$61.7 million in the First Half Year 2023. The decrease was mainly attributable to the decline in Hong Kong retail sales revenue (see below) and the fall in the sales to our franchise business in Saudi Arabia, which tried to clear its existing stock after COVID-19.

In Hong Kong, the retail sales revenue decreased by approximately 2.4% in the First Half Year 2023 as compared to First Half Year 2022. The post-COVID era since early 2023 does not seem to benefit the Hong Kong retail since the opening of the borders together with the weak Renminbi against United States Dollars resulted in the outflux of locals travelling out of Hong Kong to overseas and mainland China. The weak second-hand property market in the First Half Year 2023 also had an adverse impact on the furniture retail market.

The corporate sales in Hong Kong, which consists of the sales of showflats furniture, noted a small increase in revenue by approximately 4.1% as compared to the Corresponding Period in 2022.

Retail revenue from Dubai, the UAE increased slightly by approximately 2.0% in First Half Year 2023 as compared to the Corresponding Period in 2022. The same store revenue for Sheikh Zayed Road and Al Wasl Road stores in Dubai noted a decline as a result of increased competition from other furniture retailers, such decline was offset by the new store in Dubai Hills Mall opened in second half of 2022. The corporate sales in UAE recorded a growth of approximately 5.3% with increased participation by our Dubai design team which helped contribute to the growth in revenue.

The revenue from the Furniture Rental business significantly increased by approximately 37.5% from approximately HK\$9.3 million in the First Half Year 2022 to approximately HK\$12.8 million in the First Half Year 2023. The growth was mainly attributable to new rental contracts for certain embassies in the UAE.

The revenue from the Projects business increased significantly by approximately 7.4 times from approximately HK\$7.3 million in the First Half Year 2022 to approximately HK\$61.4 million in the First Half Year 2023. Such increase was mainly attributable to the completion of a few projects which contributed significantly to the profit and loss in the second quarter of 2023. Our UAE project team also contributed to the growth in the revenue following the completion of certain stages of furniture delivery to a local conglomerate in respect of their crew quarters in the first half of 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$20.5 million or 42.5% from approximately HK\$48.3 million in the Corresponding Period in 2022 to approximately HK\$68.8 million in the First Half Year 2023. We saw a 8.1% decrease in overall gross profit percentage (from 58.7% in First Half Year 2022 to 50.6% in First Half Year 2023) due to significant increase in relative proportion of Projects revenue.

Other income and gains

The Group's other income and gains for the First Half Year 2023 was approximately HK\$1.0 million compared to approximately HK\$3.8 million in the Corresponding Period in 2022. The significant decrease was mainly attributable to (i) the 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, and (ii) the one-off grant of HK\$1.5 million received from the Employment Support Scheme under the Anti-epidemic Fund, set up by The Government of the HKSAR.

Selling and Distribution Costs

Our selling and distribution costs comprise mainly staff costs 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 increased by approximately 9.3% from approximately HK\$22.2 million in the First Half Year 2022 to approximately HK\$24.2 million in the First Half Year 2023. The increase was mainly related to sales-related staff costs, outbound freight charges and advertising expenses, and such increase was in line with the growth in revenue.

Administrative and other operating expenses

Our administrative and other operating expenses comprised mainly staff cost (other than the sales teams), rental and related expenses, 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 slightly increased by approximately 0.7% from approximately HK\$42.9 million in the First Half Year 2022 to approximately HK\$43.2 million in the First Half Year 2023. On one hand the legal and professional fee increased as a result from certain acquisition and share placings during the First Half Year 2023, and on the other hand saving of the rental expenses (including depreciation of rights of use assets) was noted 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.

A further net provision of HK\$2.4 million has been made for trade and other receivables in the First Half Year 2023 (First Half Year 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

The Group's finance costs in the First Half Year 2023 consisted of (i) bank interest expenses on bank loans and import loan financing of approximately HK\$505,000 (Corresponding Period in 2022: approximately HK\$2,000), the increase was in line with the surge in the bank borrowings; and (ii) interest expenses of HK\$852,000 (Corresponding Period in 2022: approximately HK\$322,000) on the lease liabilities in respect of the tenancies of certain premises, which the Group has entered into as a lessee.

Profit/(Loss) for the period

Loss attributable to equity shareholders of the Company for the First Half Year 2023 amounted to approximately HK\$70,000 (First Half Year 2022: a loss of approximately HK\$13.4 million). The Group has managed to reduce its loss in the First Half Year 2023 because of the growth in gross profit, net of the negative impact of the (i) increase in selling and distribution costs, administrative and other operating expenses and net provision for expected credit losses on trade and other receivables; and (ii) decrease in other income and gains as mentioned above.

Trade and other receivables

The Group's trade and other receivables as at 30 June 2023 amounted to HK\$50.1 million (31 December 2022: HK\$48.6 million), which consists of the following:

- (a) Trade receivables of HK\$18.5 million (31 December 2022: HK\$16.4 million), net of expected credit loss allowance of HK\$2.4 million (31 December 2022: HK\$3.5 million). The increase is mainly attributable to certain invoices issued in June 2023 in respect of UAE project business;
- (b) Trade deposits of HK\$9.1 million (31 December 2022: HK\$11.8 million) paid to the Group's suppliers before receipts of the inventories purchased. The balances of such trade deposits at any given point of time depend on the progress of the corporate sales and projects (which in turn affects the timing of the purchases of items in respect of such projects) and also the timing of the purchases of seasonal launches and replenishments;
- (c) Rental and other deposits of HK\$7.3 million (31 December 2022: HK\$7.0 million); and
- (d) Prepayments and other receivables of HK\$15.2 million (31 December 2022: HK\$13.4 million).

Trade and other payables

The Group's trade and other payables as at 30 June 2023 amounted to HK\$22.6 million (31 December 2022: HK\$17.6 million), which consists of the following:

- (a) Trade payables to suppliers of HK\$4.3 million (31 December 2022: HK\$2.6 million);
- (b) Deposits received from customers of HK\$3.0 million (31 December 2022: HK\$3.2 million);
- (c) Other payables of HK\$6.5 million (31 December 2022: HK\$2.8 million), mainly represents credit notes issued, accrued project costs and purchases, and value-added tax payable; and
- (d) Accruals of HK\$8.8 million (31 December 2022: HK\$9.0 million) which consists of staff costs (mainly commission accruals and bonus provision) and accruals of certain expenses of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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 the unutilised net proceeds of HK\$23.7 millions (“**Unutilised Net Proceeds**”) which was deposited into licensed banks of Hong Kong and Dubai.

The following table sets forth the status of the use of the Net Proceeds as at 30 June 2023:

	Allocation of the utilised Net Proceeds at stated in the Company’s announcement dated 18 February 2022 <i>HK\$’000</i> <i>(approximately)</i>	Utilised Net Proceeds up to 30 June 2023 <i>HK\$’000</i> <i>(approximately)</i>	Balance of Net Proceeds as at 30 June 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	(4,186)	8,098	End of December 2023
Expand the Group’s retail network by opening additional retail stores in Hong Kong	2,000	(1,575)	425	End of December 2023
Enhance the Group’s online shop and the Group’s information technology capability	3,000	(2,128)	872	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>(12,889)</u>	<u>10,787</u>	

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE PLACING

(a) The First Placing in February 2023

The net proceeds from a placing of the 264,000,000 new shares of the Company on 6 February 2023 (the “**First Placing 2023**”), 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 30 June 2023, the proceeds from such placing has been fully utilised with approximately (a) HK\$3 million has been used for the acquisition of Brand Consultant Management Limited and (b) HK\$10.5 million has been used for the working capital of the Group.

(b) The Second Placing in July 2023

The net proceeds from a placing of the 230,700,000 new shares of the Company on 27 July 2023 (the “**Second Placing 2023**”), after deduction of the relevant fees paid by the Company in connection therewith, were approximately HK\$17.6 million. The Company intends to apply the unutilised net proceeds from the Placing to (a) the possible merger and acquisition opportunities in future and to (b) general working capital of the Group, as disclosed in the announcement of the Company dated on 27 July 2023.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

We have funded our operations primarily through net cash flow generated from our operations. Our primary uses of cash have been, and are expected to continue to be, operational costs and capital expenditures for business expansion. We also use our import financing facilities and the funds from the proceeds of the Listing and the placing for implementing our plans and purposes as detailed in the paragraphs headed “Use of Proceeds from the Listing” and “Use of Proceeds from the Placing” above.

The Group had cash and cash equivalents of approximately HK\$10.7 million as at 30 June 2023 (31 December 2022: HK\$17.8 million). Most of such cash and cash equivalents were denominated in the functional currencies of the countries/regions in which the Group’s subsidiaries operate. As at 30 June 2023, the Group had total interest-bearing bank borrowings of approximately HK\$11.2 million (31 December 2022: HK\$7.7 million). All borrowings were denominated in Hong Kong Dollars (“**HKD**”) and United Arab Emirates Dirham (“**AED**”).

The details of the pledged bank deposits can be referenced to note 13 of the condensed consolidated financial statement.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

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

The Group's gearing ratio as at 30 June 2023 was 21.0% (31 December 2022: 19.2%).

PLEDGE OF ASSETS

As at 30 June 2023 and 31 December 2022, a pledged bank deposit of HK\$3.0 million was applied as security for the general banking facilities granted to a subsidiary of Hong Kong. These facilities were also secured by a corporate guarantee of HK\$3.0 million from the Company.

FOREIGN CURRENCY RISK

The Group's sales and direct costs were primarily denominated in the functional currency of the operations to which the transactions are related. Accordingly, we consider that the Group's exposure to foreign currency risk is minimal.

CAPITAL COMMITMENTS

As at 30 June 2023, the Group did not have any significant capital commitments (31 December 2022: Nil).

SIGNIFICANT INVESTMENT HELD

Apart from investments in subsidiaries, as at 30 June 2023, the Group also had investments in a non-listed fund of HK\$5,938,000 and a non-refundable deposit of a proposed new joint venture of HK\$4,000,000.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save for the acquisition of a subsidiary as disclosed in note 18 to the unaudited condensed consolidated financial statements, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the six months ended 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE AND EMOLUMENT POLICIES

As at 30 June 2023, the employee headcount (including executive Directors) of the Group was 159 (31 December 2022: 159) and the total staff costs, including share-based payment expenses and sales commission (including Directors' emoluments) amounted to approximately HK\$32.9 million in the First Half Year 2023 (Corresponding Period in 2022: approximately HK\$32.1 million).

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 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 (note 1)
Mr. John Warren MCLENNAN	Interest in a controlled corporation and interest held jointly with other persons (note 3)	414,500,000	26.17%
Ms. WONG Wing Man	Interest in a controlled corporation (note 3)	257,370,000	16.25%

Notes:

- (1) The calculation is based on the total number of 1,584,000,000 Shares in issue as at 30 June 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 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) Ms. WONG Wing Man holds such 257,370,000 Shares through Century Great Investments Limited which is wholly owned by Ms. WONG.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(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%
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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30 June 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 6)	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%
Ms. Jennifer Carver MCLENNAN	Interest of spouse (note 3)	414,500,000 (L)	26.17%
Mr. David Frances BULBECK	Interest of spouse (note 4)	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 5)	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 5)	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%
Mr. CHEUNG Wai Keung	Beneficial interest	132,000,000 (L)	8.33%
Century Great Investments Limited	Beneficial interest	257,370,000 (L)	16.25%

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 30 June 2023.
- (3) Mrs. Jennifer Carver MCLENNAN is the spouse of Mr. John Warren MCLENNAN and is deemed to be interested in the Shares held by Double Lions Limited by virtue of the SFO (see note (1) above).
- (4) 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.
- (5) 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.
- (6) The letter “L” denotes the entity/person’s long position in the Shares.

Save as disclosed above, as at 30 June 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.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

DIRECTORS’ RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the six months ended 30 June 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 six months ended 30 June 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

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 six months ended 30 June 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 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, 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

CORPORATE GOVERNANCE

As at 30 June 2023, the Company does not have advances to any entity nor advances to affiliated companies and the controlling shareholders of the Company have not pledged all or part of their Shares. There is no circumstances which would give rise to a disclosure obligation on the part of the Group pursuant to Rules 17.22 to 17.24 of the GEM Listing Rules.

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 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 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 enables effective management of the Company and is in the interests of the Group and the Shareholders as a whole. In addition, the Board currently 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 as a whole.

By Order of the Board
Pacific Legend Group Limited
John Warren MCLENNAN

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 11 August 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.