Pacific Legend Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8547)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

This announcement, 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 announcement 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 announcement misleading.

The original announcement is prepared in the English language. This announcement 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.

FINANCIAL HIGHLIGHTS

- The shares of the Company have been listed on the GEM of the Stock Exchange on 18 July 2018.

- The revenue of the Group amounted to approximately HK$278.1 million for the year ended 31 December 2018, representing a slight decrease of approximately HK$0.5 million or 0.2% as compared with the revenue of approximately HK$278.6 million for the year ended 31 December 2017.

- The loss of the Group after tax was approximately HK$17.4 million for the year ended 31 December 2018 as compared to a profit of approximately HK$3.1 million for the year ended 31 December 2017.

- No final dividend is recommended by the Board for the year ended 31 December 2018.

ANNUAL RESULTS

The Board of Directors (the "**Board**") of Pacific Legend Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ended 31 December 2018 together with the comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
Revenue	4	**278,103**	278,628
Cost of sales		**(112,775)**	(116,733)
Gross profit		**165,328**	161,895
Other income and gains	5	**3,071**	899
Selling and distribution costs		**(58,263)**	(53,331)
Administrative and other operating expenses		**(114,974)**	(97,947)
Listing expenses		**(12,105)**	(6,556)
(Loss)/profit from operations		**(16,943)**	4,960
Finance costs	6(a)	**(128)**	–
(Loss)/profit before taxation	6	**(17,071)**	4,960
Income tax expense	7	**(297)**	(1,837)
(Loss)/profit for the year attributable to equity shareholders of the Company		**(17,368)**	3,123
Other comprehensive income			
Item that may be classified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax		**27**	720
Total comprehensive (loss)/income for the year attributable to equity shareholders of the Company		**(17,341)**	3,843
		HK cents	HK cents
(Loss)/earnings per share			
Basic and diluted	8	**(2.01)**	0.42

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
Non-current assets			
Property, plant and equipment		**11,250**	8,568
Finance lease receivables		**681**	764
		11,931	9,332
Current assets			
Inventories		**44,570**	43,212
Contract assets		**9,872**	–
Amounts due from customers for contract work		**–**	4,455
Trade and other receivables	9	**59,933**	44,126
Current portion of finance lease receivables		**2,385**	2,673
Amount due from a director		**–**	1,603
Pledged bank deposits		**3,000**	5,164
Cash and cash equivalents		**70,214**	45,882
Tax recoverable		**275**	–
		190,249	147,115
Current liabilities			
Trade and other payables	10	**27,999**	40,656
Contract liabilities		**23,260**	–
Amounts due to customers for contract work		**–**	3,647
Amount due to a related company		**250**	213
Short term bank loans		**5,030**	–
Tax payable		**–**	2,127
		56,539	46,643
Net current assets		**133,710**	100,472
Total assets less current liabilities		**145,641**	109,804
Non-current liabilities			
Provisions		**8,045**	6,987
NET ASSETS		**137,596**	102,817
Capital and reserves			
Share capital		**10,000**	779
Reserves		**127,596**	102,038
TOTAL EQUITY		**137,596**	102,817

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

The Group is principally engaged in the sale of home furniture and accessories, leasing of home furniture and accessories and provision of design consultancy services for fitting out interiors with furnishings.

Pursuant to a reorganisation of the Group (the "**Reorganisation**") which was completed in May 2018 to rationalise the corporate structure in preparation for the listing of the Company's shares on GEM of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 29 June 2018 (the "**Prospectus**").

The above-mentioned principal activities of the Group were carried out by Pacific Legend Development Limited and Deep Blue Living Limited ("**Deep Blue**") and their subsidiaries. The companies now comprising the Group were under the common control of Mr. John Warren McLennan, Ms. Alison Siobhan Bailey, Mr. James Seymour Dickson Leach, Mr. John Martin Rinderknecht and Ms. Tracy-Ann Fitzpatrick as the controlling shareholders (the "**Controlling Shareholders**") before and after the Reorganisation. As the control is not transitory and, consequently, there was a continuation of risks and benefits to the Controlling Shareholders, the Reorganisation is considered to be a restructuring of entities under common control. The financial information before the completion of the Reorganisation has been prepared using the merger basis of accounting as if the Group has always been in existence.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group include the results of operations of the Company and its subsidiaries for 2017 as if the Reorganisation was completed at 1 January 2017. The consolidated statement of financial position of the Group as at 31 December 2017 has been prepared to present the financial position of the Company and its subsidiaries as if the companies now comprising the Group had been consolidated as at that date.

At 31 December 2018, the Directors consider the immediate and ultimate holding company to be Double Lions Limited ("**Double Lions**"), which is incorporated in the British Virgin Islands (the "**BVI**").

2. BASIS OF PREPARATION AND PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

– HKFRS 9 "Financial Instruments"

– HKFRS 15 "Revenue from Contracts with Customers"

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 "Financial Instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transaction requirements. Therefore, comparative information continues to the reported under HKAS 39.

Further details of the nature and effect of the changes to previous accounting policies are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss. These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at fair value through profit or loss. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. The Group has assessed that its financial assets measured at amortised cost at 31 December 2017 continue with their classification and measurement upon adoption of HKFRS 9 on 1 January 2018.

The classification and measurement requirements for the financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at fair value through profit or loss that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group does not have any financial liabilities designated at fair value through profit or loss and therefore this new requirement has no impact on the Group's consolidated financial statements.

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (the "**ECL**") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" model in HKAS 39.

The Group has assessed that the application of the ECL to the financial assets existed at 1 January 2018 has had no significant impact on the Group's financial position as at 1 January 2018 and its financial results for the year then ended.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 "Revenue" which covered revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction Contracts" which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method to recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information continues to be reported under HKASs 11 and 18. As followed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018. The adoption of HKFRS 15 has no material impact on the opening balance of equity at 1 January 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) ***Timing of revenue recognition***

Previously, revenue arising from project contracts was recognised over time, whereas revenue from sales of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised goods or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; and

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that goods or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from project contracts and sale of goods.

(ii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to project contracts in progress were presented in the consolidated statement of financial position under "Amounts due from customers for contract work" or "Amounts due to customers for contract work" respectively.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

– "Amounts due from customers for contract work" amounting to HK$4,455,000, is now included under contract assets; and

– "Amounts due to customers for contract work" and "Deposits received" under "Trade and other payables" amounting to HK$3,647,000 and HK$13,109,000, respectively, are now included under contract liabilities.

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. The Group's most senior executive management does not evaluate operating segment using assets and labilities 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.

Segment revenue and results

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

For the year ended 31 December 2018

	Sale of home furniture and accessories *HK$'000*	**Rental of home furniture and accessories** *HK$'000*	**Project and hospitality services** *HK$'000*	**Total** *HK$'000*
Segment revenue – external customers	**191,335**	**23,145**	**63,623**	**278,103**
Segment results	**118,024**	**18,575**	**28,729**	**165,328**
Other income and gains				**3,071**
Selling and distribution costs				**(58,263)**
Administrative and other operating expenses				**(114,974)**
Listing expenses				**(12,105)**
Finance costs				**(128)**
Loss before taxation				**(17,071)**

For the year ended 31 December 2017

	Sale of home furniture and accessories *HK$'000*	Rental of home furniture and accessories *HK$'000*	Project and hospitality services *HK$'000*	Total *HK$'000*
Segment revenue – external customers	190,497	28,280	59,851	278,628
Segment results	118,364	22,503	21,028	161,895
Other income and gains				899
Selling and distribution costs				(53,331)
Administrative and other operating expenses				(97,947)
Listing expenses				(6,556)
Profit before taxation				4,960

There was no inter-segment revenue for years ended 31 December 2018 and 2017.

Geographical information

Revenue from external customers

	2018 ***HK$'000***	2017 *HK$'000*
Hong Kong	**194,375**	182,695
United Arab Emirates (the "**UAE**")	**46,888**	58,230
The People's Republic of China (excluding Hong Kong and Macao) (the "**PRC**")	**36,840**	37,703
	278,103	278,628

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

Non-current assets

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**8,209**	6,526
UAE	**3,091**	1,579
PRC	**631**	1,227
	11,931	9,332

The above non-current asset information is based on the locations of the assets.

Information about major customers

One single customer in sales of home furniture and accessories, rental of home furniture and accessories and project and hospitality services segments contributed 10% or more of the Group's revenue for the year ended 31 December 2018. Revenue from this customer amounted to HK$42,906,000.

There was no single customer contributed 10% or more of the Group's revenue for the year ended 31 December 2017.

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

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

5. OTHER INCOME AND GAINS

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**41**	15
Gain on disposals of property, plant and equipment	**–**	141
Interest income from finance leases	**242**	249
Net exchange gains	**20**	–
Income from franchising	**1,060**	195
Reversal of allowance for doubtful debts	**351**	–
Reversal of long outstanding trade payables	**884**	–
Sundry income	**473**	299
	3,071	899

6. (LOSS)/PROFIT BEFORE TAXATION

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

	2018 HK$'000	2017 HK$'000
(a) Finance cost:		
Interest on short-term loans	**128**	–
(b) Staff costs:		
Salaries, allowances and commissions	**73,219**	65,761
Share-based payment expenses	**1,234**	–
Retirement benefits scheme contributions	**3,345**	2,310
	77,798	68,071
(c) Other items:		
Auditors' remuneration	**1,019**	614
Allowance for doubtful debts	**109**	679
Bad debts written off	**144**	64
Cost of inventories recognised as expense	**109,481**	112,426
Depreciation	**7,089**	7,810
Net exchange loss	**–**	166
Operating lease rentals in respect of rented premises		
– Minimum lease payments	**35,959**	32,505
– Contingent rent	**214**	283

7. INCOME TAX EXPENSE

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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– current year provision	**354**	1,837
– over-provision in respect of prior year	**(70)**	–
PRC Enterprise Income Tax	**13**	–
	297	1,837

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

The provision for Hong Kong Profits Tax for 2018 is calculated at 8.25% (2017: 16.5%) of the first HK$2,000,000 and 16.5% (2017: 16.5%) of the remaining estimated assessable profit for the year.

PRC Enterprise Income Tax is calculated at 25% (2017: 25%) of the estimated assessable profits in accordance with relevant rules and regulations in the PRC.

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

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(17,071)**	4,960
Notional tax at applicable tax rate at respective jurisdictions	**(2,025)**	298
Tax effect of non-taxable income	**(17)**	(24)
Tax effect of non-deductible expenses	**2,392**	1,127
Tax effect of temporary differences not recognised	**100**	246
Tax effect on unused tax losses not recognised	**23**	694
Tax effect of utilisation of previously unrecognised tax loss	**(106)**	(504)
Over-provision in respect of prior year	**(70)**	–
Actual tax expense	**297**	1,837

(c) Deferred taxation

No provision for deferred tax liabilities has been made as there were no material temporary differences as at 31 December 2018 (2017: Nil).

Under the PRC tax law, withholding tax is imposed on dividends declared in respect of the profits earned by the PRC subsidiaries. At 31 December 2018, no deferred tax liabilities have been provided for in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$1,432,000 (2017: HK$1,429,000), as the Group is in a position to control the dividend policies of the PRC subsidiaries and no distribution of such profit is expected to be declared from the PRC subsidiaries in the foreseeable future.

At 31 December 2018, the Group has unused tax losses arising in Hong Kong of approximately HK$606,000 (2017: HK$467,000), that are available indefinitely for offsetting against future taxable profits of the group company in which the losses arose. The Group also has tax losses arising in the PRC of approximately HK$7,492,000 (2017: HK$7,908,000), that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future profit streams.

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the loss for the year attributable to equity shareholders of the Company of HK$17,368,000 (2017: profit of HK$3,123,000) and the weighted average of 865,068,493 (2017: 750,000,000) ordinary shares in issue.

The weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share has been determined on the assumption that the Reorganisation (see note 1) and the capitalisation issue had been effective on 1 January 2017.

No diluted (loss)/earnings per share for the years ended 31 December 2018 and 2017 was presented as there were no dilutive potential ordinary shares in issue during both years.

9. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**23,172**	12,981
Less: allowances for doubtful debts	**(450)**	(829)
	22,722	12,152
Other receivables	**3,395**	3,287
Deposits and prepayments	**33,816**	28,687
	59,933	44,126

At 31 December 2018, apart from certain deposits totalling HK$11,083,000 (2017: HK$8,563,000), all trade and other receivables are expected to be recovered or recognised as expenses within one year.

(a) Ageing analysis

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**13,787**	5,260
More than 1 month but less than 3 months	**5,043**	4,813
More than 3 months but less than 12 months	**2,787**	2,076
More than 12 months	**1,105**	3
	22,722	12,152

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

(b) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2018	2017
	HK$'000	*HK$'000*
Neither past due nor impaired	**10,261**	990
Within 1 month	**3,939**	4,582
More than 1 month but less than 3 months	**4,687**	4,510
More than 3 months but less than 12 months	**2,756**	2,067
More than 12 months	**1,079**	3
Amounts past due	**12,461**	11,162
	22,722	12,152

10. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**2,826**	2,120
Deposits received	**3,861**	18,711
Other payables and accruals	**21,312**	19,825
	27,999	40,656

Upon the adoption of HKFRS 15 on 1 January 2018, some of the deposits received were reclassified to contract liabilities (see note 3).

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:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**1,817**	355
More than 1 month but less than 3 months	**211**	267
More than 3 months	**798**	1,498
	2,826	2,120

11. DIVIDENDS PAID

	2018	2017
	HK$'000	*HK$'000*
Interim dividends	**26,250**	–

These dividends represented dividends declared and paid by the Company prior to the Reorganisation. The rate of dividend per share is not presented as it does not indicate the rate which future dividend will be declared.

The Directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group principally operates three lines of business, namely, (i) sale of home furniture and accessories ("**Furniture Sales**", which includes retail, corporate sales, online shops, wholesale and franchise); (ii) rental of home furniture and accessories ("**Furniture Rental**"); and (iii) project and hospitality services ("**Projects**", which typically involve designing, styling, decorating and furnishing commercial or residential properties such as hotels, serviced apartments and showflats). The shares of the Company were successfully listed on the GEM by way of share offer on 18 July 2018 (the "**Share Offer**").

- During the year 2018 we launched two new retail stores, one in Yuen Long, Hong Kong in May 2018 and the other one on Al Wasl Road, Dubai in late August 2018.

- In November 2018 we took on the distribution of the Sonder Living brand in the Hong Kong market which included taking over the operations and staff of their existing retail store at Horizon Plaza ("**Sonder Living@Indigo**"). As one of our current top 5 suppliers this relationship offers a wide range of products to further optimise our Furniture Sales and Projects business.

- In December 2018 we terminated the lease of our Horizon Plaza (Discount store) on the 10th floor and integrated our discount outlet into our Horizon Plaza 6th floor retail store.

- In line with our business strategy we have enhanced our in-store design consultancy capabilities with a full design centre set up in the Al Wasl Road store and improvement of these services within Hong Kong including the consolidation of our design centres to our Horizon Plaza 6th floor retail store by the end of the year 2018.

- We continue to actively search for appropriate store locations in China in line with our plan for use of proceeds from the Listing. Timing of this is subject to finding suitable retail locations.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2018 (the "**Current Year**") was approximately HK$278.1 million, representing a slight decrease of HK$0.5 million or 0.2% as compared with the year ended 31 December 2017 (the "**Last Year**") of HK$278.6 million.

The revenue from the Furniture Sales increased by approximately 0.4% from approximately HK$190.5 million in the Last Year to approximately HK$191.3 million in the Current Year. Nevertheless, overall Furniture Sales fell short of our expectations due to tough market conditions.

In Hong Kong, the same store sales revenue drop from HK$88.5 million in the Last Year to HK$84.3 million for the Current Year. This was mainly attributable to a drop in our Shatin store sales of HK$3.8 million as compared to the Last Year which was mainly due to the renovation and downsizing of the store, in line with our new rental contract that took place in August 2018.

Our new Yuen Long store and our Sonder Living@Indigo operation made moderate contributions to our Furniture Sales revenue, but were insufficient to cover the shortfall in the same store sales revenue.

Retail revenue from our Sheikh Zayed Road store in Dubai, UAE has weakened, with 29.6% decline in revenue in the Current Year as compared to the Last Year. This has been in some part due to the weakness of the Dubai retail market. Sales from Al Wasl Road store since its opening in late 2018 accounted for HK$4.4 million. Although it could not fully offset the revenue decline in Sheikh Zayed Road store, it has enabled us to widen our reach and target a different customer segment.

A number of customers coming to our Sheikh Zayed Road store were ultimately handled through our corporate sales business due to the complexity of their requirements which accounted in part for the HK$4.1 million increase in corporate sales in the UAE, and partly offset the decline in revenue of the Sheikh Zayed Road store.

On the other hand, the Group's retail business in the Shanghai An Fu Lu store noted a growth of approximately 10.8% to HK$12.8 million in Current Year, and China's online sales doubled in Current Year from HK$2.0 million in Last Year to HK$4.2 million in Current Year.

The Current Year's corporate sales in Hong Kong were not as strong as Last Year as the fact that certain one-off projects in 2017 were completed. A number of corporate sales projects in 2018 were delayed from the 3rd quarter in the aftermath of Typhoon Mangkhut, to the 4th quarter, but we still had a shortfall of HK$5.7 million in the Current Year revenue as compared to Last Year.

The Group's franchise business in Saudi Arabia, which has been commenced in June 2017, was in full year operation in 2018. It experienced growth of HK$4.7 million, from HK$2.9 million in Last Year to HK$7.6 million in Current Year. However, its gross margin was lower than other retail and corporate sales customers and therefore it caused a lesser impact on the Group's gross profit.

The revenue from the Furniture Rental decreased by approximately 18.2% from approximately HK$28.3 million in the Last Year to approximately HK$23.1 million in the Current Year. The fall in revenue from the Furniture Rental was mainly the result of the completion of lease periods for rental contracts from 2016.

The revenue from the Projects business increased by approximately 6.3% from approximately HK$59.9 million in the Last Year to approximately HK$63.6 million in the Current Year. This has been in large part due to an increase in projects in Hong Kong, a significant portion of which could be booked in 2018, especially in the 4th quarter.

We continue to be reliant on the performance of the property market in Hong Kong and the recent vacancy tax has been beneficial to our Projects business as developers seek to find furniture solutions to quickly improve occupancy.

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 conditions of the markets and their effects on product pricing, product mix and our cost of sales. Generally the gross profit margins of our Furniture Sales (except franchise) and Furniture Rental businesses are higher than the gross profit margin of the Projects business due to the provision of design and styling and custom furniture in the latter.

The gross profit of the Group increased HK$3.4 million or 2.1% from approximately HK$161.9 million in the Last Year to approximately HK$165.3 million in the Current Year. Despite the small decline in the Group's revenue, we saw an overall improvement in gross profit margins of our Projects business as we provided new customised solutions and creative service for some of our corporate clients.

Selling and Distribution Costs

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

The Group's selling and distribution costs increased by approximately 9.2% from approximately HK$53.3 million in the Last Year to approximately HK$58.3 million in the Current Year.

This increase of HK$3.9 million was mainly the result of the surge in sales-related staff costs (HK$2.5 million) and in marketing, transportation and delivery expenses (HK$1.4 million), in a view to drive our online and B2B business strategy as well as the launch of our new stores in Hong Kong and Dubai during the year.

Apart from an increase in staff costs following a review of Hong Kong retail salaries packages in June 2018, and the additional headcount in China sales team as disclosed in previous quarterly reports, we have also strengthened our sales team in Hong Kong to support the Sonder Living@Indigo operation with effect from 1 November 2018.

Administrative and other operating expenses

Our administrative and other operating expenses comprise mainly staff cost (other than the sales teams), rental and related expenses, depreciation on property, plant and equipment (other than those relating to the furniture for rental), staff benefits and others. Such expenses increased by approximately 17.4% from approximately HK$97.9 million in the Last Year to approximately HK$115.0 million in the Current Year. This increase is mainly the result of:

(i) the growth in staff costs (other than sales teams) of approximately HK$4.4 million for additional staff with the necessary skills and knowledge to implement our strategies and planned expansion, and to meet the additional workload and requirements for Listing (and those after Listing);

(ii) an increase in staff costs of approximately HK$2.8 million which covered a Listing bonus of HK$1.6 million for the Chairman and Chief Executive Officer and the share-based payments of HK$1.2 million relating to share options granted to employees;

(iii) an increase in rental expenses of approximately HK$4.3 million related in main part to the opening of our new stores in Yuen Long, Hong Kong and new store in Al Wasl Road, Dubai; and

(iv) an increase in professional expenses of approximately HK$1.9 million which included service fees on hiring new employees, their visa applications and renewal of contracts in Dubai, public relations fees on the Listing (which are not treated as Listing expenses) and professional fees for post Listing compliance.

Listing expenses

The Company started the preparation work for the Listing in the 2nd quarter of 2017. We incurred Listing expenses of approximately HK$6.6 million in the Last Year, as compared to approximately HK$12.1 million in the Current Year.

Loss for the year

Loss attributable to equity shareholders of the Company for the Current Year amounted to approximately HK$17.4 million (Last Year: profit of approximately HK$3.1 million).

The loss was mainly attributable to the net effects of (i) non-recurring Listing expenses of approximately HK$12.1 million incurred in the Current Year, as compared to only approximately HK$6.6 million in the Last Year; (ii) the decline in revenue for Hong Kong retail and corporate sales, Dubai retail, together with the fall in Furniture Rental revenue in all regions, as mentioned above; and (iii) the increase of selling and distribution costs and administrative and other operating expenses as mentioned above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Historically, 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 currently expect that there will not be any material change in the sources and uses of cash of our Group, except that we have started using our import financing facilities as well as the additional funds from proceeds of the Share Offer for implementing our future plans as detailed in the heading "Use of Proceeds" below.

The Group had cash and cash equivalents of approximately HK$70.2 million as at 31 December 2018 (31 December 2017: HK$45.9 million). Most of such cash and cash equivalents were denominated in the functional currencies of the countries/region in which the Group's subsidiaries operate. As at 31 December 2018, the Group had total bank borrowings of approximately HK$5.0 million (31 December 2017: Nil). All borrowings were denominated in Hong Kong Dollars with variable interest rates based on HIBOR.

GEARING RATIO

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

The Group's gearing ratio as at 31 December 2018 was 3.7% (31 December 2017: Nil). The increase in the gearing ratio of the Group was primarily resulted from the start of using import financing facilities for trade payments, which are usually drawn for purchases for each season and for significant sales projects.

PLEDGE OF ASSETS

As at 31 December 2018 and 2017, a pledged bank deposit of HK$3,000,000 was applied as security for the general banking facilities granted to a subsidiary. These facilities were also secured by a personal guarantee of HK$8,000,000 from Mr. John Warren McLennan (Chairman and executive Director of the Company) which had been released upon the Listing Date.

In addition, as at 31 December 2017, a pledged bank deposit of HK$2,164,000 was applied as security for a performance guarantee of the same amount issued by a bank. Such pledged bank deposit had been released during the Current Year.

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 31 December 2018, the Group did not have any significant capital commitments (31 December 2017: Nil).

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, as at 31 December 2018, the Group did not hold any significant investment in equity interest in any other company.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no significant contingent liabilities.

At 31 December 2017, the Group had contingent liabilities in respect of a performance guarantee of HK$2,164,000 issued by a bank in favour of a customer in respect of the projects undertaken by the Group. The performance guarantee was secured by a pledged bank deposit of HK$2,164,000.

USE OF PROCEEDS

The Company intends to utilise such net proceeds as disclosed in the "Future Plans and Use of Proceeds" section of the Prospectus, based on the net proceeds from the Share Offer of approximately HK$48.5 million upon the Listing Date.

	Net proceeds to be applied *HK$'000*	Approximate percentage of the proceeds *%*	Amount utilised up to 31 December 2018 *HK$'000*	Unutilised amount up to 31 December 2018 *HK$'000*
Expand our retail network by opening additional retail stores	28,382	58.6%	–	28,382
Enhance our online shop and our information technology capability	3,893	8.0%	161	3,732
Recruitment of additional staff	5,545	11.4%	921	4,624
Recruitment for our planned new retail stores	1,556	3.2%	–	1,556
Increasing our inventory	5,056	10.4%	907	4,149
General working capital	4,043	8.4%	4,043	–
	48,475	100.0%	6,032	42,443

COMPARISON OF BUSINESS PLAN WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 December 2018 is set out below:

Business objectives	Actual business progress up to 31 December 2018
Expand our retail network by opening additional retail stores (including additional staff for such stores)	We have been actively looking for locations in Shanghai, China which is our top priority. To date we have not been successful in securing a site but continue our search bearing in mind market conditions and availability of suitable locations, and are currently in negotiation for a site.

	Save as disclosed above, the Group intends at this time to use up the unutilised fund for opening additional stores as planned in the Prospectus. Timing will be in part subjected to prevailing market conditions and suitable site availability.
Enhance our online shop and our information technology capability	Successful Hong Kong radio frequency identification system (RFID) pilot conducted for the end-of-year stocktake and product photoshoot, enabling operational efficiencies. RFID will be rolled-out further across the Hong Kong operation and Group. Development of a mobile application has been delayed until we have full integration of our enterprise resource planning system with our online platform by mid 2019. We have engaged a new digital agency who has undertaken digital marketing activity in the form of uplifted search engine optimisation activity and will support our planned digital marketing use of proceeds. The Group intends to use up the remaining unutilised fund for this objective within the timeline as outlined in the Prospectus.
Recruitment of additional staff	Seven staff, five in Hong Kong and two in China, have been primarily hired to support growth areas of design services, kids brand and eCommerce activity. The Group intends to use up the remaining unutilised funds for this objective within the timeline as outlined in the Prospectus.
Increasing our inventory	New product has been introduced to underpin renewed focus on the Indigo Kids brand. New TMall product offering has been introduced to enhance ability to drive awareness and sales. New Indigo developed Pedder range has also been introduced. The Group intends to use up the remaining unutilised fund for this objective within the timeline as outlined in the Prospectus.

The remaining net proceeds as at 31 December 2018 had been placed in interest-bearing deposits in banks in Hong Kong.

The Directors will constantly evaluate the Group's business objectives and will change or modify plans against the changing market conditions to ascertain the business growth of the Group.

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 11 January 2018, the entire issued capital in Deep Blue Living Limited, the holding company of Indigo China Home Furniture Trading (Shanghai) Limited* (因邸高家居商貿(上海)有限公司)("**Indigo China**") and Shanghai Indigo Decoration and Design Works Limited* (上海因邸閣裝潢設計工程有限公司) ("**Indigo Shanghai**"), held by the Controlling Shareholders was transferred to Group in consideration of the Company allotting and issuing 346 shares, credit as fully paid, to Double Lions Limited (a company ultimately controlled by the Controlling Shareholders).

Save as disclosed above, during the Current Year, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

(For identification only)*

EMPLOYEE AND EMOLUMENT POLICIES

As at 31 December 2018, the employee headcount (including executive Directors) of the Group was 210 (31 December 2017: 193) and the total staff costs, share-based payments and sales commission (including Directors' emoluments) amounted to approximately HK$77.8 million in the Current Year (Last Year: approximately HK$68.1 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.

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

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

FUTURE PROSPECTS

2019 – Celebrating 40 Years of Operations

Our mission for 2019 will remain the same – to enable our customers and their clients to ***Live Beautifully***. In 2019 we will continue to focus on delivering on this promise through continual development of our products and services to differentiate ourselves in our markets such as increased B2C design services both in store and online. With the implementation of NetSuite (our new ERP system) we anticipate greater efficiencies in many areas of our business.

The forthcoming financial year is expected to be challenging due to the competitive market conditions in the industry. However, we will continue to follow our strategic development plans and take advantage of growth opportunities as they arise in all regions. We will continue to develop the Sonder Living@Indigo partnership which will allow us to gain more retail and B2B market share. We will also continue to develop the brand to stay aligned with current market trends and technology ensuring that we remain ahead of the competitor curve.

DIVIDENDS

On 4 January 2018, the Company paid HK$26.3 million to the then sole shareholder, Double Lions.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Monday, 29 April 2019. A notice convening the AGM will be issued and published in due course.

CLOSURE OF REGISTER OF MEMBERS

For ascertaining the entitlement of the shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 24 April 2019 to Monday, 29 April 2019, both dates inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 23 April 2019.

INTERESTS OF THE COMPLIANCE ADVISER

As advised by Altus Capital Limited, at 31 December 2018 and up to the date of this announcement, except for the compliance adviser agreement entered into between the Company and Altus Capital Limited, the compliance adviser of the Company, neither Altus Capital Limited, nor any of its directors, employees or close associates had any interests in the securities of to the Company or any other companies of the Group (including options or rights to subscribe for such securities) pursuant to Rule 6A.32 of GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"). Having made specific enquiry of all the Directors, each of them confirmed that they had complied with the Required Standard of Dealings throughout the period from the Listing Date to 31 December 2018, 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES OF THE COMPANY

During the period from the Listing Date to 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

CORPORATE GOVERNANCE PRACTICES

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

The Directors consider that the Company has complied with all the code provisions set out in the CG Code during the period from the Listing Date to 31 December 2018.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, save as disclosed in this announcement, there were no other significant events that might affect the Group after the reporting period.

AUDIT COMMITTEE

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

The Audit Committee comprises Ms. Elaine June Cheung, Mr. Roderick Donald Nichol and Ms. Li Yan Yan, all being independent non-executive Directors. Ms. Elaine June Cheung is the chairperson of the Audit Committee.

The Audit Committee held three meetings during the period since the Listing Date to 31 December 2018 for the purposes of, among other things, review the interim financial results for the six months ended 30 June 2018 and the third quarterly financial results for the nine months ended 30 September 2018, respectively before submission to the Board. It also reviewed the activities of the Group's risk management and internal control functions.

The Audit Committee has also reviewed the consolidated financial statements of the Group for the year ended 31 December 2018 and is of the opinion that such consolidated financial statements complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2018. The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Company and they are not aware of any events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is available for viewing on the websites of the Stock Exchange at www.hkexnews.hk and of the Company at www.pacificlegendgroup.com, respectively. The annual report of the Company for the year ended 31 December 2018 containing the information required by the GEM Listing Rules and the applicable laws will be dispatched to the shareholders of the Company in due course.

By Order of the Board
Pacific Legend Group Limited
Tracy-Ann FITZPATRICK
Executive Director, Vice-Chairperson and Chief Executive Officer

Hong Kong, 11 March 2019

As at the date of this announcement, the Board comprises Mr. John Warren MCLENNAN, Ms. Tracy-Ann FITZPATRICK and Ms. MOK Lai Yin Fiona as executive Directors; Mrs. Jennifer Carver MCLENNAN as non-executive Director; and Ms. LI Yan Yan, Ms. Elaine June CHEUNG and Mr. Roderick Donald NICHOL as independent non-executive Directors.