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PACIFIC LEGEND GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8547)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

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 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 revenue of the Group amounted to approximately HK$219.9 million for the year ended 31 December 2020, representing a decrease of approximately HK$87.8 million or 28.6% as compared with the revenue of approximately HK$307.7 million for the year ended 31 December 2019.

- The loss of the Group after tax was approximately HK$43.8 million for the year ended 31 December 2020 including impairment losses on non-current assets of HK$19.1 million, as compared to a loss of approximately HK$7.8 million for the year ended 31 December 2019.

- No final dividend is recommended by the Board for the year ended 31 December 2020.

ANNUAL RESULTS

The Board of Directors (the "**Board**") of Pacific Legend Group Limited (the "**Company**") is pleased to announce the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ended 31 December 2020 together with the comparative figures in the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	**2020** *HK$'000*	2019 *HK$'000*
Revenue	*4*	**219,859**	307,718
Cost of sales		**(83,723)**	(131,495)
Gross profit		**136,136**	176,223
Other income and gains	*5*	**15,169**	3,469
Selling and distribution costs		**(55,886)**	(63,771)
Administrative and other operating expenses		**(118,493)**	(121,112)
Impairment losses on non-current assets		**(19,128)**	–
Loss from operations		**(42,202)**	(5,191)
Finance costs	*6(a)*	**(1,646)**	(1,781)
Loss before taxation	*6*	**(43,848)**	(6,972)
Income tax credit/(expense)	*7*	**18**	(830)
Loss for the year attributable to equity shareholders of the Company		**(43,830)**	(7,802)
Other comprehensive income/(loss)			
Item that may be classified subsequently to profit or loss:			
— Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax		**189**	(46)
Total comprehensive loss for the year attributable to equity shareholders of the Company		**(43,641)**	(7,848)
		HK cents	*HK cents*
Loss per share			
Basic and diluted	*8*	**(4.38)**	(0.78)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**4,161**	8,585
Intangible assets		**5,485**	–
Right-of-use assets		**13,894**	33,080
Finance lease receivables		**517**	950
		24,057	42,615
Current assets			
Inventories		**36,343**	43,726
Contract assets		**6,432**	9,540
Trade and other receivables	*9*	**36,286**	57,151
Current portion of finance lease receivables		**2,958**	2,074
Pledged bank deposits		**3,000**	3,000
Cash and cash equivalents		**64,490**	71,607
Tax recoverable		**758**	839
		150,267	187,937
Current liabilities			
Trade and other payables	*10*	**20,949**	25,763
Contract liabilities		**22,846**	24,287
Short term bank loans		**4,670**	5,407
Lease liabilities		**22,797**	22,828
Tax payable		**1,040**	1,099
		72,302	79,384
Net current assets		**77,965**	108,553
Total assets less current liabilities		**102,022**	151,168

	Note	**2020**	2019
		HK$'000	*HK$'000*
Non-current liabilities			
Lease liabilities		**4,623**	11,224
Provisions		**8,283**	7,516
		12,906	18,740
NET ASSETS		**89,116**	132,428
Capital and reserves			
Share capital		**10,000**	10,000
Reserves		**79,116**	122,428
TOTAL EQUITY		**89,116**	132,428

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, 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'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.

At 31 December 2020, 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

These 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 (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 the following amendments to HKFRS which are applicable to the consolidated financial statements for the current accounting period:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

Other than the amendments to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The amendments to HKFRS 3 do not have a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. Impacts of the adoption of the amendments to HKFRS 16 are discussed below:

Amendments to HKFRS 16, Covid-19-Related Rent Concessions

The amendments provide a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("**COVID-19-related rent concessions**") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see Note 5). There is no impact on the opening balance of equity at 1 January 2020.

4. REVENUE AND SEGMENT INFORMATION

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

— Sale of home furniture and accessories

— Rental of home furniture and accessories

— Project and hospitality services

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

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 2020

	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*
Revenue from contracts with customers within the scope of HKFRS15				
— Point in time	**167,381**	**–**	**–**	**167,381**
— Over time	**–**	**–**	**31,827**	**31,827**
Revenue from other sources				
— Over time	**–**	**20,651**	**–**	**20,651**
	167,381	**20,651**	**31,827**	**219,859**
Segment results	**85,732**	**16,157**	**15,119**	**117,008**
Other income and gains				**15,169**
Selling and distribution costs				**(55,886)**
Administrative and other operating expenses				**(118,493)**
Finance costs				**(1,646)**
Loss before taxation				**(43,848)**
Amounts included in the measure of segment profit or loss:				
Impairment losses on non-current assets	**18,248**	**598**	**282**	**19,128**

For the year ended 31 December 2019

	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*
Revenue from contracts with customers within the scope of HKFRS15				
— Point in time	202,189	–	–	202,189
— Over time	–	–	83,021	83,021
Revenue from other sources				
— Over time	–	22,508	–	22,508
	202,189	22,508	83,021	307,718
Segment results	121,667	18,611	35,945	176,223
Other income and gains				3,469
Selling and distribution costs				(63,771)
Administrative and other operating expenses				(121,112)
Finance costs				(1,781)
Loss before taxation				(6,972)

There was no inter-segment revenue for years ended 31 December 2020 and 2019.

Geographical information

Revenue from external customers

	2020 ***HK$'000***	2019 *HK$'000*
Hong Kong	**164,561**	215,389
United Arab Emirates (the "**UAE**")	**37,041**	63,406
The People's Republic of China (excluding Hong Kong and Macao) (the "**PRC**")	**18,257**	28,923
	219,859	307,718

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

Non-current assets

	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**23,201**	29,321
UAE	**28**	5,832
PRC	**311**	6,512
	23,540	41,665

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

Information about major customers

One single customer (which is a property developer and an independent third party) contributed 10% or more of the Group's revenue for the year ended 31 December 2020. Revenue from sale of home furniture and accessories, rental of home furniture and accessories and project and hospitality services for this customer amounted to HK$22,044,000 (2019: HK$62,432,000).

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

	2020	2019
	HK$'000	*HK$'000*
Bank interest income	**416**	469
Interest income from finance leases	**233**	169
Income from franchising	**1,110**	976
Other income from franchisee	**–**	801
Gains on lease modification	**135**	–
Government grants received *(note (i))*	**7,335**	–
COVID-19-related rent concessions received	**3,705**	–
Gain on disposal of property, plant and equipment	**54**	–
Net exchange gains	**1,450**	–
Reversal of provision for long service payments	**112**	518
Sundry income	**619**	536
	15,169	3,469

(i) The government grants received represented mainly an amount of HK$6,675,000 being the funding support in 2020 from the Employment Support Scheme under the Anti-epidemic Fund, set up by The Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. Apart from the above, the Group also received an amount of HK$640,000 being the Retail Sector Subsidy Scheme under the Anti-epidemic Fund, set up by The Government of the Hong Kong Special Administrative Region.

6. LOSS BEFORE TAXATION

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

	2020	2019
	HK$'000	*HK$'000*
(a) Finance costs:		
Interest on short-term bank loans	**168**	260
Interest on lease liabilities	**1,478**	1,521
	1,646	1,781
(b) Staff costs#:		
Salaries, allowances and commissions	**70,857**	76,825
Share-based payment expenses	**329**	2,680
Retirement benefits scheme contributions	**2,630**	3,385
Provision for/(reversal of) long service payments and employees' end-of-service benefits, net	**889**	(361)
	74,705	82,529

Staff costs are net of reversal of provision for long service payments of HK$112,000 (2019: HK$518,000) which is also included in other income and gains in note 5 above.

	2020	2019
	HK$'000	*HK$'000*
(c) Other items:		
Amortisation of intangible assets	**772**	–
Auditors' remuneration	**939**	991
Provision for/(reversal of) expected credit loss allowance for:		
— Contract assets	**1,213**	182
— Trade receivables	**168**	372
— Other receivables, deposits and prepayments	**(123)**	226
— Finance lease receivables	**(39)**	48
Bad debts written off	**135**	–
Cost of inventories recognised as expense	**81,078**	128,585
Depreciation of property, plant and equipment	**8,705**	6,185
Depreciation of right-of-use assets	**32,440**	27,561
Impairment losses on:		
— Property , plant and equipment	**5,037**	–
— Intangible assets	**1,461**	–
— Right-of-use assets	**12,630**	–
Net exchange loss	**–**	1,030
Expenses related to short-term leases	**5,871**	7,059
Written off of property, plant and equipment	**26**	–
Variable lease payments not included in the measurement of lease liabilities	**897**	401

7. INCOME TAX (CREDIT)/EXPENSE

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

	2020	2019
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
— Current year provision	**2**	850
— Over-provision in respect of prior year	**(20)**	(20)
	(18)	830

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

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

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

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

	2020	2019
	HK$'000	*HK$'000*
Loss before taxation	**(43,848)**	(6,972)
Notional tax at applicable tax rates at respective jurisdictions	**(7,182)**	(1,490)
Tax effect of non-taxable income	**(1,733)**	(256)
Tax effect of non-deductible expenses	**3,807**	542
Tax effect of temporary differences not recognised	**(597)**	197
Tax effect on unused tax losses not recognised	**5,713**	1,857
Over-provision in respect of prior years	**(20)**	(20)
Others	**(6)**	–
Actual tax (credit)/expense	**(18)**	830

(c) Deferred taxation

No provision for deferred tax liabilities has been made as there were no material temporary differences as at 31 December 2020 (2019: Nil).

At 31 December 2020, the Group has unused tax losses arising in Hong Kong of approximately HK$19,007,000 (2019: HK$3,778,000), that are available indefinitely for offsetting against future taxable profits of the group companies in which the losses arose. The Group also has tax losses arising in the PRC of approximately HK$22,973,000 (2019: HK$11,588,000), 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 PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to equity shareholders of the Company of HK$43,830,000 (2019: HK$7,802,000) and the weighted average of 1,000,000,000 (2019: 1,000,000,000) ordinary shares in issue.

No diluted loss per share for the years ended 31 December 2020 and 2019 was presented as there were no dilutive potential ordinary shares in issue during both years.

9. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**8,897**	19,405
Less: expected credit loss allowance	**(427)**	(817)
	8,470	18,588
Other receivables	**4,537**	3,699
Trade deposits	**8,613**	8,721
Rental and other deposits	**10,813**	14,150
Prepayments	**3,853**	11,993
	36,286	57,151

At 31 December 2020, apart from certain deposits totalling HK$10,813,000 (2019: HK$14,150,000), all trade and other receivables are expected to be recovered or recognised as expenses within one year.

The ageing analysis of trade receivables, based on invoice date and net of expected credit loss allowance, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**3,914**	8,629
More than 1 month but less than 3 months	**3,450**	2,942
More than 3 months but less than 12 months	**916**	5,434
More than 12 months	**190**	1,583
	8,470	18,588

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

10. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**2,272**	3,181
Deposits received	**3,847**	4,055
Other payables	**5,083**	7,403
Accruals	**9,747**	11,124
	20,949	25,763

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:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**887**	2,163
More than 1 month but less than 3 months	**590**	170
More than 3 months	**795**	848
	2,272	3,181

Included in accruals as at 31 December 2020 were delivery service and manpower support charges payable to Winford Inc. Limited of HK$402,000 (2019: HK$383,000), which is unsecured, interest-free and payable within 21 days after the invoice date. A director, Mr. John Warren McLennan, has a 29% (2019: 50%) equity interest in Winford Inc. Limited as at 31 December 2020.

11. DIVIDEND PAID

The directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2020.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

13. EVENTS OCCURRING AFTER THE REPORTING DATE

(i) On 7 January 2021, the Company and a placing agent entered into a placing agreement to subscribe a maximum of 200,000,000 new ordinary shares (the "**Share(s)**") of the Company at the placing price of HK$0.060 per Share (the "**Placing**"). The new 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 25 May 2020. The 200,000,000 new Shares, with par value of HK$0.01 each, were eventually placed to not less than six independent placees on 4 February 2021 with net proceeds (after deduction of commission and other expenses of the Placing) of approximately HK$11,280,000. The closing market price per share of the immediately preceding business day was HK$0.073. The discount of the issue price to market price was approximately 17.81%.

Details of the Placing are set out in the Company's announcements dated 7 January 2021, 29 January 2021 and 4 February 2021. The Directors intended to use the entire net proceeds from the Placing as general working capital of the Group. As at the date of this announcement, the net proceeds from the Placing have not been utilised.

(ii) Since early 2020, the outbreak of COVID-19 pandemic has adversely affected the global business environment. Certain arrangements such as working from home and social distancing requirements, have also created changes to the business environment in which the Group is operating. Up to the date of this announcement, although vaccines are now available and injection programmes have been launched, there have been no clear indication that the pandemic will subside. Therefore, the pandemic may continue to have impact on the financial results of the Group for the year ending 31 December 2021, the extent of which could not be estimated reliably as at the date of the approval of these consolidated financial statements. The Group will continue to pay close attention to the development of COVID-19 and evaluate its potential impact on its financial position and operating results in 2021.

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).

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2020 (the "**Current Year**") was approximately HK$219.9 million, representing a decrease of HK$87.8 million or 28.6% as compared with the year ended 31 December 2019 (the "**Last Year**") of approximately HK$307.7 million.

The revenue from the Furniture Sales declined by approximately 17.2% from approximately HK$202.2 million in the Last Year to approximately HK$167.4 million in the Current Year. Such decline was mainly related to the decrease in retail business in all locations and corporate sales business in Hong Kong and United Arab Emirates as a result of the impact of the outbreak of COVID-19 pandemic.

In Hong Kong, the retail sales revenue dropped by 9.5% approximately compared to the Last Year. Our retail sales revenue initially seriously suffered in the first quarter owing to the outbreak of COVID-19 and the crowd control orders in early 2020, which brought the shopper traffic in the malls and in the streets to an unprecedently low level. The revenue gradually picked up since the second quarter of the year as the public started to live with the pandemic. However, such recovery was affected from time to time by subsequent waves of outbreak and the corresponding adjustments of the crowd control measures. Rent concessions had been given during the year by the landlords of our shops and are subject to regular review. Sonder Living @Indigo operation in Horizon Plaza was closed in July 2020 and integrated into Indigo Atelier showroom on the 8th floor of the same building, accommodating the high end of the Indigo spectrum.

Retail revenue of the two stores in Dubai, the United Arab Emirates (the "**UAE**") continued to be weak, with 17.6% decrease compared to the Last Year. It was similarly impacted by the COVID-19 pandemic. In order to mitigate such shortfall, we focused on eliminating slow moving stock to reinvest our purchasing budget into best-selling items, while our marketing activity has adapted to consumer sentiment. We also enhanced our valued added services by introducing online design consultation during the Current Year.

In Shanghai, our An Fu Lu store was also impacted by COVID-19 pandemic and noted a drop in revenue of approximately 31.7%. To mitigate such downfall, the Group continuously adapted to the changing consumer behaviour after the outbreak of the pandemic by offering both online and offline promotion in order to regain repeat customers and attract new ones. The new store in Jing An District was opened in late third quarter of 2020 with the net proceeds raised from the Listing of the Company.

The Group's performance in online business in the Current Year was levelled with Last Year. We will continue to explore all possible opportunities and offer as customers turned to online shopping following the impact of COVID-19.

Our corporate sales in Hong Kong, which consists mainly of the sales of showflats furniture to property developers, noted a significant decrease in revenue of 30.7% in the Current Year. The pandemic has caused property developers to take a wait-and-see attitude on the residential property market, which delayed the release of, and limited the number and scope of such showflats. We are trying to broaden our products range in order to meet the more competitive market. On the other hand, the Group's franchise business in Saudi Arabia recorded a small decrease of 3.8% in sales revenue.

The revenue from the Furniture Rental decreased by approximately 8.2% from approximately HK$22.5 million in the Last Year to approximately HK$20.7 million in the Current Year. We continue to explore other opportunities in our rental business in order to compensate the impact of the suspension of employee relocation plans following COVID-19 travelling restrictions.

Revenue from the Projects business decrease significantly by approximately 61.7% from approximately HK$83.0 million in the Last Year to approximately HK$31.8 million in the Current Year. Part of the decrease is attributable to the completion of a one-off significant hospitality project in Dubai for a US company in 2019. Moreover, construction delay and city lockdown in certain countries has a direct impact on our confirmed contracts, some of which have been postponed until 2021. Although local project business in Hong Kong still have a steady pipeline in the fourth quarter 2020, they will be dragged on to 2021 or even 2022 owing to the impact of COVID-19.

Gross profit

The gross profit margins for our three lines of business 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 decreased by HK$40.1 million or 22.7% from approximately HK$176.2 million in the Last Year to approximately HK$136.1 million in the Current Year. We saw an increase in overall gross profit percentage from 57.3% in the Last Year to 61.9% in the Current Year due to a relatively higher decline in revenue from Projects business compared to corporate sales, retail and rental revenues, as Projects business operates on a lower margin pricing strategy, in contrast to corporate sales and rental revenue which both have a higher gross profit margin.

Other income and gains

Other income and gains in the Current Year (HK$15.2 million, Last Year HK$3.5 million) include the following (i) a one-off HK$7.3 million from government grants received, including HK$6.7 million from the employee support scheme by Hong Kong SAR Government (Last Year: Nil); (ii) HK$3.7 million from COVID-19-related rent concessions in respect of the Group premises (Last Year: Nil); (iii) HK$1.1 million income from franchising (Last Year: HK$1.8 million); and (iv) exchange gain of HK$1.5 million arising mainly from appreciation of Renminbi (Last Year: exchange loss HK$1.0 million included in administrative and other operating expenses). The foreign exchange gain was mainly attributable to the significant intercompany receivable due from our Shanghai subsidiaries to our Hong Kong group companies, which was denominated in either HK$ and US$ with no hedging arrangements.

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 decreased by approximately 12.4% from approximately HK$63.8 million in the Last Year to approximately HK$55.9 million in the Current Year.

This decrease of HK$7.9 million was mainly the net result of:

(i) a decrease in sales-related staff costs of HK$3.7 million, from HK$37.7 million in the Last Year to HK$34.0 million in the Current Year;

(ii) a decrease in freight and delivery charges of HK$2.7 million, in line with the decline of sales revenue;

(iii) a decrease of HK$0.9 million on the agency fee paid to the owner of the brand Sonder Living, owing to the cessation of running of Sonder Living @ Indigo in July 2020; and

(iv) savings in advertising and promotion expenses of HK0.7 million.

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), amortisation of intangible assets, staff benefits and others. Such expenses decreased by approximately 2.2% from approximately HK$121.1 million in the Last Year to approximately HK$118.5 million in the Current Year. Such decrease is mainly the result of the savings in staff costs (other than sales teams) of approximately HK$4.6 million (from HK$45.4 million in the Last Year to HK$40.8 million in the Current Year) and reduction of exchange loss of HK$1.0 million, net of increase in deprecation of property, plant and equipment and amortisation of intangible assets, totalling HK$3.6 million.

Impairment losses on non-current assets

During the Current Year, the Group's management identified certain retail stores and business units which under-performed and estimated the recoverable amounts of non-current assets (namely right-of-use assets, intangible assets and property, plant and equipment) attributable or allocated to these stores and business units based on their values-in-use as calculated in accordance with Hong Kong Accounting Standard No. 36 "Impairment of Assets" and compared to the carrying value of such assets. As a result, the impairment loss of these assets amounted to HK$19.1 million (Last Year: Nil).

Finance costs

The Group finance costs consisted of

(i) bank interest expenses on short term import loan financing of approximately HK$168,000 in the Current Year (Last Year: HK$260,000); and

(ii) Interest expenses of HK$1.5 million (Last Year: HK$1.5 million) on the lease liabilities in respect of the tenancies of certain premises, which the Group has entered into as a lessee.

Loss for the year

Loss attributable to equity shareholders of the Company for the Current Year amounted to approximately HK$43.8 million (Last Year: loss of approximately HK$7.8 million).

The increase in loss was mainly attributable to the net effects of (i) the decrease in gross profit of HK$40.1 million as a result of the decline in revenue; (ii) the increase in other income and gains of HK$11.7 million, mainly related to government grants and COVID-19-related rent concessions; (iii) the savings of selling and distribution costs, administrative and other operating expenses and finance costs as mentioned above totaling HK$10.6 million; (iv) the increase in impairment losses on non-current assets of HK$19.1 million; and (v) the decrease in income tax expense of HK$0.8 million.

TRADE AND OTHER RECEIVABLES

The Group's trade and other receivables as at 31 December 2020 amounted to HK$36.3 million (31 December 2019: HK$57.2 million), which consists of the following:

a) Trade receivables of HK$8.5 million (31 December 2019: HK$18.6 million), net of allowances for doubtful debts of HK$0.4 million (31 December 2019: HK$0.8 million). The decrease was in line with the fall in corporate sales and projects revenues;

b) Trade deposits of HK$8.6 million (31 December 2019: HK$8.7 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 for seasonal launches and replenishments;

c) Rental and other deposits of HK$10.8 million (31 December 2019: HK$14.2 million). The decrease was mainly attributable to the release of rental deposit of HK$2.9 million in respect of an old warehouse in Ap Lei Chau, the lease of which expired during the Current Year;

d) Prepayments of HK$3.9 million (31 December 2019: HK$12.0 million), the decrease was mainly related to capitalisation as intangible assets of development cost of ERP software of HK$7.8 million, which launched during the Current Year; and

e) Other receivables of HK$4.5 million (31 December 2019: HK$3.7 million).

TRADE AND OTHER PAYABLES

The Group's trade and other payables as at 31 December 2020 amounted to HK$21.0 million (31 December 2019: HK$25.8 million), which consists of the following:

a) Trade payables to suppliers of HK$2.3 million (31 December 2019: HK$3.2 million). The decrease was in line with the decline in revenue;

b) Deposits received from customers of HK$3.8 million (31 December 2019: HK$4.1 million);

c) Other payables of HK$5.1 million (31 December 2019: HK$7.4 million), mainly represents credit notes issued, accrued project costs and purchases, the decrease of which was in line with decline in projects revenue; and

d) Accruals of HK$9.7 million (31 December 2019: HK$11.1 million) which consists of staff costs (mainly commission accruals and bonus provision) and accruals of certain expenses of the Group. The decrease was mainly attributable to a reduction of bonus provision amounted to HK$1.5 million.

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 as well as the additional funds from the proceeds of the Listing for implementing our future plans as detailed in the heading "Use of Proceeds" below.

The Group had cash and cash equivalents of approximately HK$64.5 million as at 31 December 2020 (31 December 2019: HK$71.6 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 31 December 2020, the Group had total bank borrowings of approximately HK$4.7 million (31 December 2019: HK$5.4 million). 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 2020 was 5.2% (31 December 2019: 4.1%). The increase in the gearing ratio of the Group was primarily resulted from the decrease in total equity following the significant loss for the Current Year.

PLEDGE OF ASSETS

As at 31 December 2020 and 2019, a pledged bank deposit of HK$3.0 million was applied as security for the general banking facilities granted to a subsidiary. These facilities were also secured by a corporate guarantee of HK$8.0 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. And the Group's several subsidiaries have intra-group balances which have been eliminated in the consolidated financial statements of which the functional currency of the relevant entities are RMB and AED at the end of the reporting period are as follows:

	Amounts due from group entities		**Amounts due to group entities**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
HK$	**17,802**	17,883	**47,007**	40,557

The following sensitivity analysis includes only intra-group HK$ balances and adjusts its translation at the period end for a 5% change in HK$ rates against RMB and AED. A positive number below indicates a decrease in post-tax loss for the year where HK$ has depreciated 5% against RMB and AED. For strengthening of HK$ by 5% against RMB and AED, there would be an equal but opposite impact on the result for the year.

Decrease in post-tax loss for the year	**2020** ***HK$'000***	2019 *HK$'000*
HK$	**1,162**	882

CAPITAL COMMITMENTS

As at 31 December 2020, the Group did not have any significant capital commitments (31 December 2019: Nil).

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, as at 31 December 2020, the Group did not hold any significant investment in equity interest in any other company.

CONTINGENT LIABILITIES

As at 31 December 2020 and 2019, the Group had no significant contingent liabilities.

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 of the Company dated 29 June 2018 (the "**Prospectus**"), based on the net proceeds from the Listing of approximately HK$48.5 million upon the Listing Date.

	Net proceeds to be applied *HK$'000*	**Approximate percentage of the proceeds** *%*	**Amount utilised up to 31 December 2020** ***HK$'000***	**Unutilised amount up to 31 December 2020** ***HK$'000***
Expand our retail network by opening additional retail stores	28,382	58.6%	**6,441**	**21,941**
Enhance our online shop and our information technology capability	3,893	8.0%	**3,340**	**553**
Recruitment of additional staff	5,545	11.4%	**5,545**	**–**
Recruitment for our planned new retail stores	1,556	3.2%	**164**	**1,392**
Increasing our inventory	5,056	10.4%	**5,056**	**–**
General working capital	4,043	8.4%	**4,043**	**–**
	48,475	100.0%	**24,589**	**23,886**

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 2020 is set out below:

Business objectives	Actual business progress up to 31 December 2020
Expand our retail network by opening additional retail stores (including additional staff for such stores)	The new store in Shanghai located in Jing An District was opened in September 2020, but the plan of opening more stores as set out in the Prospectus has been delayed due to travel ban arising from COVID-19 pandemic and prevailing market conditions.
Enhance our online shop and our information technology capability	The radio frequency identification system ("RFID") have been used in Hong Kong new warehouse in the end-of-year stocktake 2020, but its further development had been put on hold due to COVID-19 pandemic. We have continued the development of, and extend the licenses of Salesforce, a new CRM and Marketing automation software during the year but the progress during the year has been delayed by the COVID-19 pandemic. Salesforce was finally launched in February 2021 to enhance our website capabilities with our customer base.
Recruitment of additional staff	During the course of 2020, we did not recruit any additional staff using the net proceeds from the Listing. Seven staff, five in Hong Kong and two in China, have been primarily hired with the net proceeds from Listing since the Listing Date to support growth areas of design services, back office and e-Commerce activity. Except those funds remaining as to recruiting additional staff for the new stores of HK$1,392,000, the funds reserved for recruiting other additional staff have been fully utilised as at 31 December 2020.

Business objectives	Actual business progress up to 31 December 2020
Increasing our inventory	We have continuously been introducing new TMall product for the mainland China market. We will also launch a new furniture brand in Hong Kong in the year 2021 aiming at the growing small apartment living market segment, and trade deposits have been placed for the purchase of such items near the end of 2020. The funds for this objective in the Prospectus have been fully utilised as at 31 December 2020.

The remaining net proceeds as at 31 December 2020 had been placed in interest-bearing deposits in banks in Hong Kong.

The expected timeline for utilising the net proceeds from the Listing was based on best estimation of the Board with reference to the then prevailing and future market conditions. However, it is subject to the actual market condition upon implementation. During the Current Year, the global market condition and economic outlook remain uncertain and volatile. As such, the Company has not identified suitable target to expand our retail stores and hence recruit staff for that purpose. No definite timetable is being determined by the Board as to when the unutilised net proceeds will be fully utilised. 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 report, the Directors do not anticipate any change to the plan as to the use of proceeds as previously disclosed.

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

During the Current Year, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

EMPLOYEE AND EMOLUMENT POLICIES

As at 31 December 2020, the employee headcount (including executive Directors) of the Group was 196 (31 December 2019: 223) and the total staff costs, including share-based payments and sales commission (including Directors' emoluments) amounted to approximately HK$74.7 million in the Current Year (Last Year: approximately HK$82.5 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 in 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 rules 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. 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 People's Republic of China (excluding Hong Kong and Macao) (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

2021 — Looking to the future

Our mission for 2021 will remain the same — to enable our customers and their clients to ***Live Beautifully***. In 2021, we will continue to focus on delivering this promise through continual development of our products and services in all regions, to differentiate ourselves in our markets such as increased B2C design services both in store and online.

The forthcoming financial year is expected to be challenging due to the competitive market conditions in the industry as well as the uncertainty in all our markets as a result of the outbreak of COVID-19 pandemic. These factors will adversely impact our performance for at least the first half of 2021. We will continue to actively cut costs and streamline operations wherever possible to deliver on our strategic development plans and take advantage of growth opportunities as they arise in all regions. For example, we are launching a new furniture brand in Hong Kong aiming at the growing small apartment living market segment. We will also continue to develop the brand to stay aligned with current market trends and technology ensuring we remain ahead of the competitor curve.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020.

ANNUAL GENERAL MEETING

The date of the annual general meeting of the Company for the year ended 31 December 2020 ("**AGM**") will be announced in due course. Such date is expected to be sometime before 30 June 2021. In accordance with the GEM Listing Rules and code provision E1.3 of the CG Code (as defined below), we will issue and publish the notice of the AGM at least 20 clear business days before the AGM.

CLOSURE OF REGISTER OF MEMBERS

The period for which the register of members of the Company will be closed for the purpose of ascertaining the entitlement of the shareholders of the Company to attend and vote at the AGM will be announced at least 10 business days before such closure in accordance with rule 17.78(1) of the GEM Listing Rules.

INTERESTS OF THE COMPLIANCE ADVISER

As advised by Altus Capital Limited, at 31 December 2020 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 relation 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 the 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 year ended 31 December 2020, 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 the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2020, 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 year ended 31 December 2020.

EVENTS AFTER THE REPORTING PERIOD

Save as the events as disclosed in note 13 to the audited consolidated financial statements and elsewhere in this announcement, there is no significant event occurring since the end of the reporting period up to the date of this announcement.

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 (chairperson, resigned with effect from 15 January 2021), Mr. SO Alan Wai Shing (appointed with effect from 23 February 2021 as member and chairman), Mr. Roderick Donald NICHOL, and Ms. Lale KESEBI, all being independent non-executive Directors. Ms. Elaine June CHEUNG was the chairperson of the Audit Committee until her resignation 15 January 2021, whose vacancy was filled by Mr. SO Alan Wai Shing on 23 February 2021.

The Audit Committee held four meetings during the Year for the purposes of, among other things, review the annual financial results for the year ended 31 December 2019, the first quarterly, interim and third quarterly financial results for 2020, 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 2020 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 .

SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary results announcement have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the above-mentioned financial year. The work performed by Baker Tilly Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements and consequently no assurance has been expressed by Baker Tilly Hong Kong Limited on the preliminary results announcement.

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 2020 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, 26 March 2021

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. Lale KESEBI, Mr. Roderick Donald NICHOL and Mr. SO Alan Wai Shing as independent non-executive Directors.