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PACIFIC LEGEND GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8547)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus (“**Prospectus**”) and the allotment results announcement of Pacific Legend Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 29 June 2018 and 17 July 2018 respectively in relation to the listing of the Company’s shares on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of share offer (the “**Share Offer**”), the 2018 interim report, 2018 third quarterly report, 2018 annual report, 2019 first quarterly report, 2019 interim report, 2019 third quarterly report, 2019 annual report, 2020 first quarterly report, 2020 interim report, 2020 third quarterly report, 2020 annual report, 2021 first quarterly report, 2021 interim report, and 2021 third quarterly report of the Company (collectively, the “**Reports**”) in which the utilisation of proceeds from the Share Offer was disclosed. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to announce that the Board has resolved to change the use of the proceeds from the Share Offer.

CHANGE IN USE OF PROCEEDS

The net proceeds from the Share Offer (the “**Net Proceeds**”) received by the Company after deducting the underwriting commissions and fees and other listing related expenses amounted to approximately HK\$48.5 million. As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intended to apply the Net Proceeds for (i) the expansion of the retail network by opening four additional retail store, of which three new stores will be in Mainland China and one new store will be in United Arab Emirates (“**UAE**”); (ii) enhancing the online shop and the information technology capability; (iii) recruiting additional staff at the headquarters; (iv) recruiting additional staff for the planned new stores; (v) increasing the inventory; and (vi) general working capital for the Group.

As at the date of this announcement, the Company had utilised approximately HK\$24.8 million of the Net Proceeds and the amount of the unutilised Net Proceeds was approximately HK\$23.7 million (the “**Unutilised Net Proceeds**”). After due and careful consideration on the current business environment and development needs of the Group as further set out in the paragraph headed “Reasons for the Change in Use of Proceeds” in this announcement below, the Board has resolved to change the use of the Unutilised Net Proceeds as follows:

	Planned use of the Net Proceeds as stated in the Prospectus <i>HK\$'000</i> (<i>approximately</i>)	Utilised Net Proceeds up to the date of this announcement <i>HK\$'000</i> (<i>approximately</i>)	Unutilised Net Proceeds as at the date of this announcement <i>HK\$'000</i> (<i>approximately</i>)	Revised allocation of the Unutilised Net Proceeds <i>HK\$'000</i> (<i>approximately</i>)	Expected timeline for fully utilizing the remaining Net Proceeds (taking into account of the new allocation)
Expand the Group’s retail network by opening additional retail stores in Mainland China and UAE	28,382	(6,441)	21,941	12,284	End of December 2023
Expand the Group’s retail network by opening additional retail stores in Hong Kong	—	—	—	2,000	End of December 2022
Enhance the Group’s online shop and the Group’s information technology capability	3,893	(3,550)	343	3,000	End of December 2023
Recruitment of additional staff	5,545	(5,545)	—	—	Not applicable
Recruitment for the Group’s planned new retail stores in Mainland China and UAE	1,556	(164)	1,392	1,392	End of December 2023
Increasing the Group’s inventory	5,056	(5,056)	—	—	Not applicable
General working capital	4,043	(4,043)	—	5,000	End of December 2023
	<u>48,475</u>	<u>(24,799)</u>	<u>23,676</u>	<u>23,676</u>	

REASONS FOR THE CHANGE IN USE OF PROCEEDS

The planned use of proceeds from the Share Offer as disclosed in the Prospectus was based on the best estimation made by the Group in relation to the then future market conditions as at the latest practicable date of the Prospectus. In this connection, the Board evaluates the trends of the retail industry with the global and local economic conditions from time to time to determine the most effective and efficient use of the Net Proceeds.

Since early 2020, the ongoing novel coronavirus infection (“COVID-19”) pandemic and its variants such as Delta and Omicron have been casting severe implications for many business sectors. To combat the spread of COVID-19 and its variants, the target cities and countries in which the Group intended to set up new retail stores, including Beijing, Shanghai and UAE had implemented different level of tough measures, for instance, putting the cities under lockdown, restricting movement of people by pronouncing “stay-home” orders, suspending or limiting business operations and/or restricting freight transportations from time to time, which has (a) caused the property developers to delay their plans to release the residential flats to the market, and (b) reduced the staff mobility across the borders, both of which have made the Group’s operating environment extremely difficult. It had been the intention of the Directors to preserve the unutilized proceeds for the continuing expansion of the Group’s retail network in Mainland China once the COVID-19 pandemic is contained and the worldwide economy is recovered. However, although vaccines are being launched to combat against the COVID-19 pandemic and its variants, there remains a significant degree of uncertainty over the severity and duration of the global outbreak, as well as the trajectory of the economic recovery once the outbreak has been contained. The Board has particularly noted that the COVID-19 pandemic has worsened recently due to the Omicron variant. Due to the revival of the COVID-19 pandemic outbreak, it is expected that the stringent COVID-19 preventive measures adopted by various cities in Mainland China will probably remain in force for a certain period of time and the borders of Mainland China will therefore remain effectively close. In this respect, the Group plans to scale down its plan of opening new retail stores in Mainland China with the Unutilised Net Proceeds by changing the original plan from opening two new stores in Beijing to opening another showroom in Shanghai instead in order to consolidate the Group’s retail position in Shanghai. On the other hand, although the Omicron variant is still prevailing in the UAE, there are signs that the number of new COVID-19 cases in that country is in a falling trend recently. The Group will proceed with its plan to open one retail store in the UAE as disclosed in the Prospectus, albeit on a delayed schedule.

As compared to the original plan to expand the Group’s retail network in Mainland China, the Board considers that opening retail stores in Hong Kong targeting local customers would be a better alternative for the Group due to the reasons that the landlords of certain prestigious shopping malls in major shopping areas in Hong Kong are agreeable to give concessions on rental and other terms of the tenancy. Change of demographic of increasing locals spending due to tight border controls, has driven various owners or operators of major central and prime shopping malls to give preferential rates in rental and terms to attract local brands. It improves the return on investment of the expansion of new shops in Hong Kong compared to Mainland China. In the fourth quarter 2021 the Group has by its own internal resources opened a retail store in Times Square Causeway Bay Hong Kong and it intends to open another new retail store in Cyberport Hong Kong around the first or second quarter 2022. The Board has been closely monitoring the retail market environment in Hong Kong

and UAE to ensure that the business expansion is conducted in a prudent and cost-effective manner. In light of the above, the Board proposed to re-allocate HK\$2.0 million originally planned for the expansion of the Group's retail network in Mainland China and UAE to the expansion of the Group's retail network in Hong Kong.

On the other hand, the Board has noted a shift in consumer buying behaviour from physical stores to online channels, which is believed to be a result of the increasing reliance on online shopping by the consumers following the COVID-19 preventive measures. The Board expects that the shift to online shopping will continue. The Board also believes that successful enhancement of the Group's online shopping facility will be cost saving for the Group. As a result, the Board anticipates an increasing capital needs to enhance its online sales exposures and the relevant marketing campaign in support. Therefore the Board proposed to re-allocated approximately HK\$2.7 million originally planned for the expansion of the Group's retail network in Mainland China and UAE to the enhancement of the Group's online shop and the Group's information technology capability.

Because of the proposed scaling down of the Group's network expansion plan as disclosed in this announcement comparing to the plan originally disclosed in the Prospectus and the generally lowering in costs for opening new retail stores as a result of decrease in rentals, the Board proposed to re-allocate HK\$5.0 million originally planned for the expansion of the Group's retail network in Mainland China and UAE to general working capital to satisfy the daily financial needs of the Group as well as enhance the flexibility of business management of the Group in this difficult and uncertain economic time.

The Board is of the view that the change in use of the Unutilised Net Proceeds will enable the Group to effectively meet the financial needs of the Group and enhance the flexibility in financial management of the Company, and is in line with the current business needs of the Group, and therefore, is in the best interests of the Company and its shareholders as a whole.

The Board also confirms that there is no material change in the principal business of the Group as set out in the Prospectus and is of the view that the above change is in line with the business strategy of the Group and will not adversely affect its operation and business. Save as disclosed in this announcement, there are no other changes on the use of the Net Proceeds.

The Board will continuously assess the plans for use of the Net Proceeds, and may revise or amend such plans where necessary to respond to the changing market conditions and strive for better business performance of the Group.

Save as disclosed in this announcement, there are no other changes on the use of the Net Proceeds.

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

Hong Kong, 18 February 2022

As at the date of this announcement, the Board comprises Mr. John Warren McLennan, Ms. Mok Lai Yin Fiona, Mr. So Kin Ting Wilson and Mr. Zheng Tianzhi as executive Directors, Mrs. Jennifer Carver McLennan as non-executive Director, and Mr. Roderick Donald Nichol, Ms. Lale Kesebi, Mr. So Alan Wai Shing, Mr. Lee Kwong Ming and Mr. Lee Fung Lun as independent non-executive Directors.

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

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