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PACIFIC LEGEND GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8547)

DISCLOSEABLE TRANSACTION IN RELATION TO THE SUBSCRIPTION OF SHARES IN THE TARGET COMPANY

THE SUBSCRIPTION

On 9 October 2023 (after trading hours), the Subscriber, a wholly-owned subsidiary of the Company, entered into a Subscription Agreement with the Target Company, pursuant to which the Subscriber agreed to subscribe for, and the Target Company agreed to allot and issue to the Subscriber, 67 Subscription Shares at the aggregate subscription price of HK\$4,000,000. Upon Completion, the Subscriber will hold a total of 67 ordinary shares of the Target Company, representing approximately 6.7% of the enlarged share capital of the Target Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Subscription exceed 5% but are less than 25%, the Subscription constitutes a discloseable transaction of the Company and hence is subject to the notification and announcement requirements but exempt from Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

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THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are set out below:

Date

9 October 2023 (after trading hours)

Parties

- (1) The Target Company: MPJS Group Limited; and
- (2) The Subscriber: GPD Investment Company Limited, being a wholly-owned subsidiary of the Company.

Subject matter

Pursuant to the Subscription Agreement, the Subscriber agreed to subscribe for, and the Target Company agreed to allot and issue, 67 Subscription Shares at the aggregate subscription price of HK\$4,000,000, subject to the terms and conditions of the Subscription Agreement. The Subscription Shares, upon allotment and issue at Completion, are free from all encumbrances and will rank pari passu with all other shares of the Target Company in issue on the date of allotment and issue of the Subscription Shares. The Subscription Shares represent approximately 6.7% of the issued share capital of the Target Company upon Completion as enlarged by the allotment and issue of the Subscription Shares.

The Company will not nominate any member to the board of directors of the Target Company and the financial results of the Target Group will not be consolidated into the financial results of the Group after Completion.

Consideration

The aggregate subscription price payable by the Subscriber to the Target Company for the Subscription Shares is HK\$4,000,000, which shall be settled in the following manner:

- (i) HK\$1,200,000 shall be paid to the Target Company or its designated nominee(s) upon the execution of the Subscription Agreement, being the refundable deposit and in part payment of the Subscription Price; and
- (ii) HK\$2,800,000, being the remaining part of the Subscription Price, shall be paid to the Target Company or its designated nominee(s) on Completion.

The subscription price is arrived at arm's length negotiation with reference to the prevailing market information related for the Subscription, and which will be satisfied by the internal financial resources of the Group.

Conditions Precedent

The Completion of the Subscription Agreement is conditional upon the following conditions having been fulfilled (or, as to the conditions other than condition set out in (B) below, waived):

- (A) the Subscriber having completed its due diligence on the Target Group and the results of the due diligence are to the reasonable satisfaction of the Subscriber;
- (B) all necessary consents, authorisations, licences and approvals required to be obtained on the part of the Target Company in relation to the Subscription Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect;
- (C) the representations, warranties and undertakings provided by the Target Company remaining true and accurate in all respects; and
- (D) the particular warranties made by the Subscriber set out in the Subscription Agreement remaining true and accurate in all respects.

Completion

The Completion shall take place within seven days after fulfilment (or waiver) of the conditions set out in the Subscription Agreement, which shall be not later than 30 November 2023 or such other date as agreed by the Subscriber and the Target Company in writing.

Put Option

Under the Subscription Agreement, the Target Company grants the Put Option to the Subscriber. In the event that the possible listing of the Target Group does not materialise within 24 months after Completion (or such other period as agreed by the parties in writing) (the “**Long Stop Date**”), the Subscriber can exercise the Put Option to sell the Subscription Shares back to the Target Company (or its nominee or successor) at a price equivalent to the Consideration at any time during 6 months after the Long Stop Date (or such later date or period as agreed by the parties in writing).

Subject to the applicable percentage ratios (as defined in the GEM Listing Rules), the exercise of the Put Option by the Subscriber may constitute a notifiable transaction under the GEM Listing Rules. If the Company exercises the Put Option, it will comply with the requirements under the GEM Listing Rules including publishing an announcement as and when appropriate.

INFORMATION OF THE PARTIES

The Group

The Company is an investment holding company and its subsidiaries are principally engaged in (i) sale and rental of home furniture and accessories (which includes retail, corporate sales, online shops, wholesale and franchise); (ii) rental of home furniture and accessories; and (iii) project and hospitality services (which typically involve designing, styling, decorating and furnishing commercial or residential properties such as hotels, serviced apartments and showflats).

The Subscriber is a wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

The Target Group

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company, which is owned as to 80% by Mr. Sze Kam Fuk, 10% by Ms. Sze Sau Lan and 10% by Ms. Sze May Moon as at the date of this announcement. Mr. Sze Kam Fuk and Ms. Sze Sau Lan are the directors of the Target Company as at the date of this announcement.

As at the date of this announcement, the Target Company is holding the entire issued shares of Man Pong Jewellery Group Company Limited, Man Pong Jewellery Limited and Gosheng Jewellery International Limited respectively. The Target Group is principally engaged in jewelry wholesale, jewelry design, setting, production, and retail direct sales. The Target Group is the owner of several retail shops located in different urban areas in Hong Kong and a jewellery workshop under its own brand name. To the best knowledge, information and belief of the Directors, the Target Group is considering applying for listing on a recognised stock exchange.

For the two years ended 31 October 2021 and 2022, the unaudited combined profit before taxation of the Target Group were approximately HK\$700,000 and approximately HK\$2,000,000; and the unaudited combined profit after taxation of the Target Group were approximately HK\$1,900,000 and approximately HK\$500,000. The unaudited combined total assets and net assets of the Target Group as at 31 October 2022 were approximately HK\$42,600,000 and approximately HK\$17,600,000.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Target Company and its ultimate beneficial owners are Independent Third Parties.

REASONS AND BENEFITS FOR THE SUBSCRIPTION

Due to the outbreak of the COVID-19 and the social distancing measures as a result thereof, together with the continuously weak demand following the decline in the second-hand property market and by fierce price competition from other furniture, the Company has been facing extremely challenging business environment and actively seeking opportunities to diversify and broaden its income stream and to bring growth in shareholder value.

The Directors consider the Subscription represents a positive investment opportunity to the Company as expanding its business profile to selling and trading of luxury products. It is believed that if the possible listing of the Target Group is materialised, the Company will record a gain in its investment in the Target Company, which will in turn benefit the Company and its shareholders as a whole. On the other hand, the Put Option also offers a protection to the Company in the event that the possible listing of the Target Group cannot be achieved or materialised.

So far as the business performance of the Target Group is concerned, according to the financial information of the Target Group available to the Board, despite the challenging market conditions brought by COVID-19, the Target Group continued to make profits for the financial years ended 31 October 2021 and 2022. With the gradual recovery of the Hong Kong economy, the Directors believe that there will be a revival of demand for luxury products and the business of the Target Group will be further improved, which will in turn benefit the Group as an investor of the Target Group.

Furthermore, despite engaging in different business segments, the Board considers that the Group and the Target Group share common business values such as emphasis on products quality assurance and customers' needs and experience. By investing in the Target Company which shares similar business values with the Group, the Subscription opens the way for possible future business collaboration or partnership between the Group and the Target Group.

Having considered the above, the Directors believe that the terms and conditions of the Subscription Agreement are fair and reasonable and the Subscription is on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Subscription exceed 5% but are less than 25%, the Subscription constitutes a discloseable transaction of the Company and hence is subject to the notification and announcement requirements but exempt from Shareholders' approval requirement under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

“Board”	the board of Directors of the Company
“Company”	Pacific Legend Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the GEM (stock code: 8547)
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Directors”	the directors of the Company
“GEM”	the GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons (as defined in the GEM Listing Rules)
“Put Option”	the option granted by the Target Company to the Subscriber under the Subscription Agreement
“Shareholders”	holder(s) of the ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	GPD Investment Company Limited, a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of the Company
“Subscription”	the allotment and issue of the Subscription Shares by the Target Company to the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 9 October 2023 entered into between the Subscriber and the Target Company in relation to the Subscription

“Subscription Share(s)”	67 new ordinary shares of the Target Company to be allotted and issued by the Target Company to the Subscriber pursuant to the Subscription Agreement
“Target Company”	MPJS Group Limited, a company incorporated in the British Virgin Islands with limited liability, being an Independent Third Party
“Target Group”	the Target Company and its subsidiaries, namely Man Pong Jewellery Group Company Limited, Man Pong Jewellery Limited and Gosheng Jewellery International Limited
“%”	per cent

By order of the Board
Pacific Legend Group Limited
Wong Wing Man
Executive Director

Hong Kong, 9 October 2023

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

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

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