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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 2023

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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.

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*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 report 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$250.6 million for the year ended 31 December 2023, representing a increase of approximately HK$46.6 million or 22.8% as compared with the revenue of approximately HK$204.0 million for the year ended 31 December 2022.

- The loss of the Group after tax was approximately HK$33.4 million for the year ended 31 December 2023 including impairment losses on non-current assets of HK$9.2 million, as compared to a loss of approximately HK$47.9 million for the year ended 31 December 2022 (including impairment losses on non-current assets of approximately HK$21.3 million).

- No final dividend is recommended by the Board for the year ended 31 December 2023.

ANNUAL RESULTS

The Board of Directors (the "**Board**") of Pacific Legend Group Limited (the "**Company**") is pleased to announce the consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the year ended 31 December 2023 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 2023

	Notes	**2023** *HK$'000*	2022 *HK$'000*
Revenue	*4*	**250,566**	204,038
Cost of sales		**(123,468)**	(97,590)
Gross profit		**127,098**	106,448
Other income, gains and losses, net	*5*	**1,986**	9,768
Selling and distribution costs		**(50,874)**	(47,445)
Administrative and other operating expenses		**(96,089)**	(87,055)
Provision for expected credit loss allowances		**(3,453)**	(7,260)
Provision for impairment losses on non-financial assets other than goodwill		**(9,182)**	(21,268)
Loss from operations		**(30,514)**	(46,812)
Finance costs		**(2,850)**	(1,074)
Loss before income tax		**(33,364)**	(47,886)
Income tax expense	*6*	**(69)**	(2)
Loss for the year		**(33,433)**	(47,888)
Other comprehensive expense			
Item that may be classified subsequently to profit or loss:			
— Exchange differences on translation of financial statements of overseas subsidiaries, net of tax		**585**	(828)
Total comprehensive expense for the year		**(32,848)**	(48,716)

	Notes	**2023** *HK$'000*	2022 *HK$'000*
Loss for the year attributable to:			
— Owners of the Company		**(33,388)**	(46,369)
— Non-controlling interests		**(45)**	(1,519)
		(33,433)	(47,888)
Total comprehensive expense attributable to:			
— Owners of the Company		**(32,803)**	(47,197)
— Non-controlling interests		**(45)**	(1,519)
		(32,848)	(48,716)
			Restated
		HK cents	*HK cents*
Loss per share			
— Basic and diluted	*7*	**(19.83)**	(35.13)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		**770**	1,472
Intangible assets		**21**	36
Right-of-use assets		**2,995**	1,357
Investment properties		**4,490**	–
Interests in associates		**13,530**	–
Finance lease receivables		**737**	1,014
Financial assets measured at fair value through profit or loss		**3,000**	5,938
Non-refundable deposit		**4,000**	4,000
		29,543	13,817
Current assets			
Inventories		**32,328**	40,217
Contract assets		**2,158**	3,555
Trade and other receivables	*8*	**81,031**	48,618
Loan receivables		**2,792**	–
Finance lease receivables		**3,250**	2,939
Pledged bank deposits		**–**	3,000
Cash and cash equivalents		**23,303**	17,824
		144,862	116,153
Assets of disposal subsidiaries classified as held for sale		**1,109**	–
		145,971	116,153
Current liabilities			
Trade and other payables	*9*	**27,034**	17,565
Contract liabilities		**70,329**	35,252
Interest-bearing bank and other borrowings		**11,645**	7,667
Lease liabilities		**11,818**	13,056
Tax payable		**2**	986
		120,828	74,526
Liabilities of disposal subsidiaries classified as held for sale		**5,768**	–
		126,596	74,526
Net current assets		**19,375**	41,627
Total assets less current liabilities		**48,918**	55,444

	2023	2022
	HK$'000	*HK$'000*
Non-current liabilities		
Lease liabilities	**6,455**	8,313
Provisions	**8,150**	7,149
Deferred tax liabilities	**69**	–
	14,674	15,462
NET ASSETS	**34,244**	39,982
Capital and reserves		
Share capital	**19,008**	13,200
Reserves	**15,739**	24,301
Equity attributable to owners of the Company	**34,747**	37,501
Non-controlling interests	**(503)**	2,481
TOTAL EQUITY	**34,244**	39,982

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL

Pacific Legend Group Limited (the "**Company**") was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 1 September 2017. On 18 July 2018, the Company's shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Units 1202–04, Level 12, Cyberport 2, 100 Cyberport Road, Hong Kong.

The Company and its subsidiaries (together the "**Group**") is principally engaged in the sale of home furniture and accessories, the leasing of home furniture and accessories and the provision of design consultancy services for fitting out interiors with furnishings.

The Company's immediate and ultimate holding company is Double Lions Limited ("**Double Lions**"), which is incorporated in the British Virgin Islands (the "**BVI**").

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of compliance

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 (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the 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 HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of consolidated financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together the "**Group**").

The measurement basis used in the preparation of the consolidated financial statements is the historical cost, except for the financial assets measured at fair value through profit or loss ("**FVPL**") and investment properties are stated at their fair values (see Notes 2(f) and 2(h)).

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.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in Note 3.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective in the current accounting period of the Group:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
HKFRS 17 and amendments to HKFRS 17	Insurance contracts and the Related Amendments

Except for the amendments to HKFRSs mentioned below, the directors of the Company consider none of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") — Long Service Payments ("LSP") offsetting mechanism in Hong Kong

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF — LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF — LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

The Group will adopt this approach and is still in the process of assessing the impact of the LSP obligation due to the Amendment Ordinance.

Impact on application of Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The Group has adopted Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" from 1 January 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences — e.g. leases.

Prior to the adoption of Amendments to HKAS 12, the Group applied the initial recognition exemption under paragraphs 15 and 24 of HKAS 12 for leasing transactions that give rise to equal and offsetting temporary differences, and therefore no deferred tax has been recognised for temporary differences relating to right-of-use assets and lease liabilities at initial recognition, and also over the lease terms under paragraph 22(c) of HKAS 12.

The Group has applied the transitional provisions under paragraphs 98K and 98L of Amendments to HKAS 12 to leasing transactions that occur on or after the beginning of the earliest comparative period presented and also, at the beginning of the earliest comparative period presented by:

(i) Recognising a deferred tax asset to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, and a deferred tax liability for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities; and

(ii) Recognising the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Based on management's assessment, there was immaterial impact on the consolidated statement of financial position as at 1 January 2022, 31 December 2022 and 31 December 2023, because the deferred tax assets and deferred tax liabilities recognised as a result of the adoption of Amendment of HKAS 12 qualify for offset under paragraph 74 of HKAS 12. There was also immaterial impact on the opening retained profits as at 1 January 2022 as a result of the change. The change does not impact the overall deferred tax balances presented on the consolidated statement of financial position as the related deferred tax balances qualify for offset under HKAS 12.

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 resource 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, contract assets and related depreciation of property, plant and equipment and right-of-use assets. The Group's most senior executive management does not evaluate operating segment using assets and liabilities information, so segment assets and liabilities are not reported to the Group's most senior executive management. Accordingly, reportable segment assets and liabilities have not been presented.

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 2023

	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 HKFRS 15				
— Point in time	**130,888**	**–**	**–**	**130,888**
— Over time	**–**	**–**	**94,420**	**94,420**
Revenue from other sources				
— Over time	**–**	**25,258**	**–**	**25,258**
	130,888	**25,258**	**94,420**	**250,566**
Reportable segment results	**70,768**	**18,142**	**34,180**	**123,090**
Unallocated items				
Interest income				**199**
Fair value loss on financial assets at FVPL				**(2,938)**
Fair value loss on investment properties				**–**
Provision for expected credit losses allowance				**(3,453)**
Provision for impairment losses on non-financial assets other than goodwill				**(9,182)**
Depreciation of property, plant and equipment				**(4,154)**
Depreciation of right-of-use assets				**(3,398)**
Amortisation of intangible assets				**(15)**
Finance costs				**(2,850)**
Unallocated corporate expenses				**(130,663)**
Loss before income tax				**(33,364)**
Income tax expense				**(69)**
Loss for the year				**(33,433)**
Provision for expected credit loss allowance	**3,453**	**–**	**–**	**3,453**
Provision for impairment losses on non-financial assets other than goodwill	**9,182**	**–**	**–**	**9,182**
Depreciation of property, plant and equipment	**570**	**3,584**	**–**	**4,154**
Depreciation of right-of-use assets	**3,398**	**–**	**–**	**3,398**

For the year ended 31 December 2022

	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 HKFRS 15				
— Point in time	148,232	–	–	148,232
— Over time	–	–	35,183	35,183
Revenue from other sources				
— Over time	–	20,623	–	20,623
	148,232	20,623	35,183	204,038
Reportable segment results	50,577	16,475	10,503	77,555
Unallocated items				
Interest income				28
Fair value loss on financial assets at FVPL				(62)
Provision for expected credit losses allowance				(6,698)
Depreciation of property, plant and equipment				(326)
Depreciation of right-of-use assets				(1,720)
Amortisation of intangible assets				(126)
Finance costs				(1,074)
Unallocated corporate expenses				(115,463)
Loss before income tax				(47,886)
Income tax expense				(2)
Loss for the year				(47,888)
Provision for impairment losses on non-financial assets other than goodwill	20,600	–	668	21,268
Provision for expected credit losses allowance	–	–	562	562
Depreciation of property, plant and equipment	1,394	2,550	–	3,944
Depreciation of right-of-use assets	5,663	–	–	5,663

There was no inter-segment revenue for years ended 31 December 2023 and 2022.

Geographical information

Revenue from external customers

	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**149,682**	124,852
UAE	**99,013**	70,096
PRC (excluding Hong Kong and Macao)	**1,871**	9,090
	250,566	204,038

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

Non-current assets

	2023	2022
	HK$'000	*HK$'000*
Hong Kong	**25,043**	11,839
UAE	**3,763**	164
PRC (excluding Hong Kong and Macao)	**–**	800
	28,806	12,803

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

Information about a major customer

During the year ended 31 December 2023, no customer with whom transactions exceeded 10% of the Group's revenue (2022: same).

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

For the project and hospitality services in existence as at 31 December 2023, the Group will recognise the expected revenue in the future when the remaining performance obligations under the contracts are satisfied. The Group has applied the practical expedient in paragraph 121 of HKFRS 15, as the Group has a right to invoice, which corresponds directly to the value to the customer of the Group's performance completed to date.

5. OTHER INCOME, GAINS AND LOSSES, NET

	2023	2022
	HK$'000	*HK$'000*
Bank interest income	**199**	28
COVID-19-related rent concessions received *(Note (a))*	**–**	1,756
Fair value loss on financial assets at FVPL	**2,874**	(62)
Fair value loss on investment properties	**42**	–
Gain on disposal of property, plant and equipment, net	**–**	44
Government grants received *(Note (b))*	**–**	2,146
Interest income from finance leases	**1,512**	259
Interest income from loan receivables	**296**	–
Royalty income from franchising	**–**	967
(Provision)/reversal of LSP and employees' end-of-service benefits	**(3,051)**	153
Reversal of provision for reinstatement costs for rented premises	**–**	1,833
Rental income	**–**	889
Consultancy income *(Note (c))*	**801**	–
(Written-off)/reversal of written-off of expired trade and other payables	**(1,984)**	1,205
Sundry income	**1,297**	550
	1,986	9,768

Note:

(a) During the year ended 31 December 2023, the Group received nil rent concession from the landlord. (2022: During the year ended 31 December 2022, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.)

(b) The government grants received represented mainly an amount of HK$ Nil (2022: HK$2,146,000) being the funding support in 2023 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.

(c) During the year ended 31 December 2023, the Group entered into a consultancy service agreement with The Hong Kong Jockey Club. The consultancy service agreement is received through the acquisition of a subsidiary, Brand Consultant Management Limited, during the year.

6. INCOME TAX

	2023	2022
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
— Under-provision in respect of prior years	**–**	2
— Deferred income tax	**69**	–

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 the year is calculated at 16.5% (2022: 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% for the year (2022: same).

No provision for the PRC Enterprise Income Tax is made as the Group has no assessable profit arising in or derived from the PRC for the year (2022: same).

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of HK$33,388,000 (2022: HK$46,369,000) and the weighted average of 168,377,425 (2022: 132,000,000 restated) ordinary shares in issue.

No adjustments has been made to the basic loss per share amounts presented for the year in respect of dilution as the impact of the share options had an anti-dilative effect on basic loss per share amounts presented (2022: same).

8. TRADE AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**41,505**	19,886
Less: provision for expected credit loss allowance	**(3,452)**	(3,463)
	38,053	16,423
Other receivables	**7,543**	10,202
Trade deposits	**23,021**	11,788
Rental and other deposits	**7,140**	6,983
Prepayments	**5,037**	3,222
Staff advance	**237**	–
	81,031	48,618

At 31 December 2023, apart from certain deposits totaling HK$7,140,000 (2022: HK$6,983,000), 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:

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**35,976**	8,266
More than 1 month but less than 3 months	**1,452**	6,382
More than 3 months but less than 12 months	**625**	1,771
More than 12 months	**–**	4
	38,053	16,423

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

9. TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**8,365**	2,573
Deposits received	**2,806**	3,193
Other payables	**6,592**	2,798
Accruals	**9,271**	9,001
	27,034	17,565

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

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

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**1,222**	1,674
More than 1 month but less than 3 months	**6,479**	417
More than 3 months	**664**	482
	8,365	2,573

Included in accruals as at 31 December 2023 were delivery service and manpower support charges payable to Winford Inc. Limited of approximately HK$294,600 (2022: HK$466,000), which is unsecured, interest-free and payable within 21 days after the invoice date. A director, Mr. John Warren McLennan, has a 29% (2022: 29%) equity interest in Winford Inc. Limited as at 31 December 2023.

10. DIVIDENDS

No dividends in respect of years ended 31 December 2023 and 2022 has been proposed by the directors of the Company.

11. COMPARATIVE FIGURES

Certain figures have been reclassified to conform to the current year's presentation of the consolidated financial statements.

12. EVENT AFTER THE REPORTING PERIOD

The Company have completed two placings of new shares on 2 February 2024 and 20 March 2024, and issued 22,500,000 shares and 15,516,000 shares, respectively, which raised net proceeds of approximately HK$4.6 million and HK$3.2 million (after deduction of commission and other expenses of the placings) for the Company. For the details, please refer to the announcements on 2 February 2024 and 20 March 2024.

On 13 March 2024, Raeford Holdings Limited, a wholly-owned subsidiary of the Company, entered into the Agreement with Mr. Tsang, Ka Wing Hiram, an Independent Third Party, to dispose of the entire issued share capital of the Deep Blue Living Limited, which in turn holding two subsidiaries principally engaged in the sale of home furniture and accessories in PRC. For the details, please refer to the announcement on 13 March 2024.

For the details of the change of the auditor, please refer to the section named "Change of the auditor" below in this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

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).

For the year ended 31 December 2023, the second-hand property market in Hong Kong remained weak due to the continuous change in demography in the last few years. In addition, the outflux of locals' money abroad due to the reopening of boarders and the depreciation of Renminbi brought an adverse impact on the Group's retail sales in Hong Kong. Furthermore, due to the fierce market competition in Dubai, the United Arab Emirates ("**UAE**"), the Group's retail sales in UAE were also adversely affected. The Group strategically shifted the focus on Projects business and Furniture Rental business in both Hong Kong and the UAE.

For the year ended 31 December 2023 (the "**Current Year**" or "**2023**"), the Group's revenue increased by approximately 22.8% to approximately HK$250.6 million for the Current Year from approximately HK$204.0 million for the year ended 31 December 2022 (the "**Last Year**"). The increase was mainly attributable to the revenue from Projects and Furniture Rental, which were partially offset by the decrease in revenue from Furniture Sales. The Group's gross profit increased to approximately HK$127.1 million for the Current Year from approximately HK$106.4 million for the Last Year, representing an increase of approximately 19.5%. The Group recorded a loss attributable to the owners of the Company of approximately HK$33.4 million for the Current Year (Last Year: approximately HK$46.4 million).

The Company has completed three placings of new shares on 6 February 2023, 27 July 2023 and 13 September 2023. The Company has raised net proceeds of HK$13.5 million, HK$17.6 million and HK$1.7 million (after deduction of commission and other expenses of the placings) respectively from these placings. The Company also issued 264,000,000, 230,700,000 (both before a share consolidation effective on 28 July 2023 on the basis that every ten (10) then issued Shares be consolidated into one (1 consolidated share) shares and 8,610,000 shares after such share consolidation accordingly.

On 15 March 2023, the Group welcome Ms. Wong Wing Man to join the Group's Board as an executive Director of the Company, who has more than 12 years of experience in customer relationship management, marketing, human resources management and administration.

On 15 March 2023, the Group welcome Mr. Wong Ka Man to be appointed as an authorised representative and executive Director of the Company, who has about 33 years of experience in audit and account, with about 20 years of working experiences in companies listed in Hong Kong and New York Stock Exchange.

On 18 September 2023, the Group welcome Mr. Wong Sui Chi to join the Board as independent non-executive Director, who has over 20 years of extensive experience in financial management, corporate management and auditing qualification shall provide valuable contributions to the Group.

On 1 December 2023, the Group welcome Mr. Chan Kin Sun to join the Board as independent non-executive Director. Mr. Chan has over 20 years of experience in manufacturing engineering, quality control, research and development and procurement in consumer electronics products sector.

Outlook

We are still operating within a challenging environment globally as the economy still continues to recover slowly as affected by the rising inflation in various regions, consecutive interest rate hikes by the US Federal Reserve and the downward pressure on the global economy. For the retail business of the Group in Hong Kong, the Group will manage the cash flow in a prudent manner, strive to improve cost efficiency, diversify financing channels, balance risks and lower operating costs. As such, the Group may consider not renewing the leases of the current retail stores and will reconsider prudently the new locations of the current retail stores.

The Hong Kong government has announced to cancel all demand-side management measures for residential properties including special stamp duty, buyer's stamp duty or new residential stamp duty with effect from 28 February 2024, the Group expects that there will be a general increase in for acquiring the residential properties and it is believed that more Hong Kong residential property owners or tenants will seek to decorate, refit or renovate their properties. The Group will continue to work with the property developers and introduce more furniture packages for first-hand residential flats buyers, and the Group will expect a potential growth in demand for its Projects businesses in UAE and Hong Kong in the coming years. The Group shall seek and seize opportunities to further expand its businesses by way of organic growth of our existing businesses or acquisition of suitable company(ies) when the suitable opportunity arises.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Current Year was approximately HK$250.6 million, representing an increase of approximately HK$46.6 million or 22.8% as compared with that of approximately HK$204.0 million for Last Year. Such increase was mainly attributable to the increase in revenue from Projects and Furniture Rental, which were partially offset by the decrease in revenue from Furniture Sales.

The following table sets forth a breakdown of the Group's revenue by business segments for the years ended 31 December 2023 and 2022:

	For the year ended 31 December			
Revenue by business segments	**2023**		2022	
	HK$'000	*%*	*HK$'000*	*%*
Furniture Sales	**130,888**	**52.2**	148,232	72.7
Furniture Rental	**25,258**	**10.1**	20,623	10.1
Projects	**94,420**	**37.7**	35,183	17.2
Total	**250,566**	**100.0**	204,038	100.0

Furniture Sales

The revenue derived from the Furniture Sales decreased by approximately HK$17.3 million or 11.7% from approximately HK$148.2 million in Last Year to approximately HK$130.9 million during the Current Year. The decrease was mainly attributable to the decline in the retail sales and franchise sales in Hong Kong and the retail sales in Dubai, UAE, which were partially offset by the increase in the sales of furniture packages and the corporate sales.

The decrease in retail sales and franchise sales in Hong Kong was adversely affected by the reopening of boarders and the depreciation of Renminbi since the locals are more willing to spend monies outside Hong Kong. Furthermore, the second-hand property market remained weak in the Current Year, the Group's retail sales of Furniture Sales in Hong Kong had been adversely impacted. On the other hand, the retail sales of Furniture Sales in Dubai, the UAE also decreased. The Group's store revenue for Sheikh Zayed Road and Al Wasl Road in Dubai noted a decline as a result of the fierce competition from other furniture retailers.

Some of the Group's furniture package projects in respect of a large residential property development site were completed in mid-2023 and thus corresponding revenue was recognised in 2023. As such, the Group's revenue derived from the furniture packages increased in 2023.

The increase in Group's corporate sales was primarily due to the increase in corporate sales from the operation in Shanghai.

Furniture Rental

The Group's revenue from the Furniture Rental increased by approximately HK$4.7 million or 22.8% from approximately HK$20.6 million in the Last Year to approximately HK$25.3 million in the Current Year. The growth was mainly attributable to new rental contracts for certain embassies in the UAE.

Projects

The Group's revenue from the Projects increased significantly by more than 2 times from approximately HK$35.2 million in the Last Year to approximately HK$94.4 million in the Current Year. Such increase was mainly attributable to the completion of several projects in Hong Kong which contributed to the growth of this segment revenue in the Current Year. The UAE project team also contributed to the growth of this segment revenue following the completion of certain stages of furniture delivery to a local conglomerate in respect of their crew quarters in 2023.

Gross profit

The Group's 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, changing conditions of the markets and their effects on product pricing, product mix and our cost of sales.

The gross profit of the Group increased by approximately HK$20.7 million or 19.5% from approximately HK$106.4 million in Last Year to approximately HK$127.1 million in Current Year, which was in line with the revenue growth. The Group recorded a decrease in overall gross profit margin by approximately 1.5% from approximately 52.2% in Last Year to approximately 50.7% in Current Year, primarily due to the significant increase in relative proportion of revenue from Projects in Current Year, which entailed generally a lower profit margin, as compared to other segments.

Other revenue, gains and losses

In 2023, the Group's other revenue, gains and losses, net mainly comprised of the gain on disposal of subsidiaries, rental income, store opening fee and sundry income, etc. Such amount decreased by approximately HK$7.8 million or 79.6% from approximately HK$9.8 million in Last Year to approximately HK$2.0 million in Current Year, mainly attributable to absence of the one-off items including (i) the subsidies granted by the Employment Support Scheme under the Anti-epidemic Fund set up by the Hong Kong government; (ii) COVID rent concession granted by the landlords; and (iii) reversal of provision for the Group's leased premises upon the expiry of lease agreement, which were recognised in Last Year. Such decrease was also affected by a turnaround from reversal of written-off of expired trade and other payables of approximately HK$1.2 million in Last Year to a written-off of expired trade and other payables of approximately HK$2.0 million in Current Year.

Selling and distribution costs

The Group's selling and distribution costs mainly comprised of staff costs of its sales teams, staff commission, advertising and promotion, freight outwards, credit card commission, agency fees and others, etc. The Group's selling and distribution costs increased by approximately HK$3.5 million or 7.4% from approximately HK$47.4 million in the Last Year to approximately HK$50.9 million in the Current Year. This increase was mainly attributable to the higher commissions fees derived from the increased number of businesses from Projects in Current Year.

Administrative and other operating expenses

The Group's administrative and other operating expenses mainly comprised of travelling costs, audit fee, legal and professional fee, warehouse expenses, provision for bad debts and repairs and maintenance expenses, etc. Such expenses increased by approximately HK$9.0 million or 10.3% from approximately HK$87.1 million in the Last Year to approximately HK$96.1 million in the Current Year. Such increase was mainly primarily attributable to the increase in the directors' remuneration, due to their continuous support and contribution to the Group.

Impairment losses

Same as the Last 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 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. The impairment loss of these assets for the Current Year amounted to HK$9.2 million (Last Year: HK$21.3 million). The Group recorded a decrease in impairment losses in Current Year as the Group made sufficient impairment allowances on certain right-of-use assets and property, plant and equipment in Last Year.

Provision of loss allowance for trade receivables

The Group recognised loss allowances for trade receivables based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions.

For the year ended 31 December 2023, the Group recorded a loss allowance of approximately HK$3.5 million (31 December 2022: approximately HK$7.3 million) on the trade receivables due from customers with financial difficulties or significant doubt on collection, so they have been individually assessed to be fully impaired.

Finance costs

The Group recorded an increase in finance costs from approximately HK$1.1 million in Last Year to approximately HK$2.9 million in Current Year, primarily due to the increase in bank loans in the Current Year for financing the operation in UAE.

Loss for the year

As a result of the foregoing, the Group's loss for the Current Year amounted to approximately HK$33.4 million (Last Year: approximately HK$47.8 million).

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

The Group has funded our operations primarily through net cash flow generated from our operations. The primary uses of cash have been, and are expected to continue to be, operational costs and capital expenditures for business expansion. The Group also uses the banking facilities, placings and the funds from the proceeds of the Listing for implementing its future plans and support the operation.

The Group had cash and cash equivalents of approximately HK$23.3 million as at 31 December 2023 (31 December 2022: approximately HK$17.8 million). Most of such cash and cash equivalents were denominated in the functional currencies of the countries/regions in which the Group's subsidiaries operate. As at 31 December 2023, the Group had total interest-bearing bank borrowings of approximately HK$11.6 million (31 December 2022: HK$7.7 million). All borrowings of the Group were denominated in United Arab Emirates Dirham ("**AED**") as at 31 December 2023 (31 December 2022: Hong Kong Dollars and AED). The fixed interest rate ranges from 4% to 7% at the inception of such borrowings.

The Group's current ratio, being the ratio of current assets to current liabilities, was approximately 1.2 times as at 31 December 2023 (31 December 2022: 1.6 times). The decrease was mainly due to (i) the increase in the contract liabilities as a result of the increase in receipts in advance for Projects; and (ii) the increase in bank loans for financing the Projects businesses in UAE, which outweighed the increase in trade and other receivables.

GEARING RATIO

The Group monitors capital using a gearing ratio, which is the Group's total debts (interest-bearing bank borrowings) 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 2023 was approximately 34.0% (31 December 2022: approximately 19.2%). The increase in the gearing ratio of the Group was mainly attributable to the increase in the bank loans for financing the Projects in UAE in 2023.

PLEDGE OF ASSETS

The Group did not have any pledge of assets as at 31 December 2023.

FOREIGN EXCHANGE EXPOSURE

The Group's sales and direct costs were primarily denominated in the functional currency of the operations to which the transactions are related. The Group's several subsidiaries have trade and other receivables and cash and cash equivalents which are mainly denominated HKD and AED at the end of the reporting period.

CAPITAL COMMITMENTS

As at 31 December 2023 and 2022, the Group did not have any material capital commitments.

SIGNIFICANT INVESTMENT HELD

Apart from investments in subsidiaries, as at 31 December 2023, the Group also had investments in a non-listed fund of HK$3.0 million and a non-refundable deposit of a proposed new joint venture of HK$4.0 million.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR ADDITIONS OF CAPITAL ASSETS

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

On 9 October 2023, the Group agreed to subscribe for, and the MPJS Group Limited agreed to allot and issue to the Subscriber, 67 Subscription Shares at the aggregate subscription price of HK$4.0 million. Upon Completion, the Group will hold a total of 67 ordinary shares of MPJS Group Limited, representing approximately 6.7% of the enlarged share capital of the MPJS Group Limited. For the details, please refer to the announcement on 9 October 2023.

On 10 November 2023, the Group has completed its acquisition of 40% of the entire issued shares of Hong Kong Taichen Ecology Agricultural Development Company Limited, at the consideration of HK$5.2 million. For the details, please refer to the announcement on 10 November 2023.

The Group increased an investment in properties for approximately HK$4.5 million in Current Year.

CONTINGENT LIABILITIES

As at 31 December 2023 and 2022, the Group had no significant contingent liabilities.

CHANGE OF THE AUDITOR

On 18 March 2024, McM (HK) CPA Limited ("**McM**") has been appointed by the Board as the new auditor of the Company to fill the casual vacancy following the resignation of Moore CPA Limited and to hold office until the conclusion of the next annual general meeting of the Company. For the details, please refer to the announcement on 18 March 2024.

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 C1 to the GEM Listing Rules.

This Corporate Governance Report is presented for the Current Year. The Directors consider that the Company has complied with all the code provisions set out in the CG Code during the Current Year, except for the deviation from code provision C.2.1 of the CG Code.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. In view of Mr. John Warren McLennan, being the founder of the Group and his experience and his roles in the Group, the Board considers it beneficial to the business prospect and operational efficiency of the Group that Mr. John Warren MCLENNAN acts as the chairman of the Board (the "**Chairman**") and continues to act as the chief executive officer (the "**CEO**"). The Directors consider that the current structure does not impair the balance of power and authority between the Board and the management of the Company given the appropriate delegation of the power of the Board and the effective functions of the independent non-executive Directors.

The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairman and CEO is necessary. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the statutory requirements and regulations and the CG Code and align with the latest developments.

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 Current Year, 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 Current Year.

EMPLOYEE AND EMOLUMENT POLICIES

As at 31 December 2023, the employee headcount (including executive Directors) of the Group was 156 (31 December 2022: 159) and the total staff costs, including share-based payments and sales commission (including Directors' emoluments) amounted to approximately HK$75.1 million in the Current Year (Last Year: approximately HK$60.2 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, 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.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms which are the same as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company periodically issues notices to the Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the required standards of dealings throughout the Current Year. The Company was not aware of any non-compliance during the Current Year.

EVENTS AFTER THE REPORTING PERIOD

The Company have completed two placings of new shares on 2 February 2024 and 20 March 2024, and issued 22,500,000 shares and 15,516,000 shares, respectively, which raised net proceeds of approximately HK$4.6 million and HK$3.2 million (after deduction of commission and other expenses of the placings) for the Company. For the details, please refer to the announcements on 2 February 2024 and 20 March 2024.

With effect from 1 March 2024, following the resignation of Mr. Wong Ka Man, another Joint Company Secretary of the Company, Mr. Tse Chun Lai ("**Mr. Tse**") remained in office and act as the sole company secretary of the Company. At the same time, Mr. Tse has been appointed as an Authorised Representative of the Company to replace Mr. Wong Ka Man. For the details, please refer to the announcement on 29 February 2024.

On 13 March 2024, Raeford Holdings Limited, a wholly-owned subsidiary of the Company, entered into the Agreement with Mr. Tsang, Ka Wing Hiram, an Independent Third Party, to dispose of the entire issued share capital of the Deep Blue Living Limited, which in turn holding two subsidiaries principally engaged in the sale of home furniture and accessories in PRC. For the details, please refer to the announcement on 13 March 2024.

For the details of the change of the auditor, please refer to the section named "Change of the auditor" above in this announcement.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for Last Year was held on 12 May 2023. An extraordinary general meeting of the Company was held on 10 July 2023 to approve the share consolidation and to authorise any one or more of the Director(s) of the Company to do all things and execute all documents they may consider appropriate and desirable to effect and implement the Share Consolidation.

AUDIT COMMITTEE

The Company established the Audit Committee of the Group ("**Audit Committee**") with written terms of reference in compliance with Rule 5.29 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") and paragraph C.3.3 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 Mr. So Alan Wai Shing (chairman), Mr. Lee Kwong Ming, Mr. Lee Fung Lun, all being independent non-executive Directors.

The Audit Committee has reviewed the consolidated financial statements of the Group for the Current year 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. There were no disagreements from the auditor of the Company or the Audit Committee in respect of the accounting policies adopted by the Company.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2023, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by McM to the amounts set out in the Group's latest unaudited consolidated financial statements for the year. The work to be performed by McM in this respect does 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 issued by the HKICPA and consequently no assurance would be expressed by McM.

DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

Under Rules 18.48A and 18.49 of the GEM Listing Rules, the Company was required to publish the announcement in relation to the preliminary audited annual results of the Group for FY2023 on a date no later than three months after the end of the financial year of the Company, i.e. on or before 31 March 2024.

Referring to the announcement dated 18 March 2024, Moore CPA Limited, the former auditor of the Company, encountered several unresolved issues during the audit for the year ended 31 December 2023, including but not limited to, (a) the return of the audit confirmations from debtors, creditors and banks; (b) the management's impairment and fair value assessments of the Group's goodwill, interests in associates, property, plant and equipment and financial assets measured at fair value through profit or loss with details of the models, assumptions and key inputs; and (c) insufficient internal resources and necessary time and effort required to complete the audit procedures. As such, Moore CPA Limited anticipated that they will not be able to complete the audit for the year ended 31 December 2023 in accordance with the timetable agreed by the mutual parties and has resigned as auditor of the Company with effect from 18 March 2024. On the same date, McM has been appointed by the Board as the new auditor of the Company with effect from 18 March 2024 to fill the casual vacancy following the resignation of Moore CPA Limited and to hold office until the conclusion of the next annual general meeting of the Company. Therefore, McM does not have the necessary amount of time to obtain sufficient audit evidences, which resulted in the Company being unable to publish the preliminary audited annual results announcements for the year ended 31 December 2023 by 28 March 2024. Instead, the Company has published the unaudited results for the year ended 31 December 2023 in this announcement in accordance with the Hong Kong Standard on Related Services ("HKSRS") 4400 (Revised) "Agreed-Upon Procedures Engagements" (the "AUP Procedures").

The Audit Committee and McM has resolved the issues mentioned in (a) and (b) by performing the following AUP Procedures:

a) *Audit confirmations from debtors, creditors and banks*

    The Company obtained the confirmation control list from Moore CPA Limited on 18 March 2024. Except for the outstanding debtors', creditors' and banks' confirmations below, all confirmations were received and McM considered the AUP Procedures are sufficient.

    In accordance with the AUP Procedures for the debtors and creditors' returned confirmations, McM has directly contacted those material debtors and creditors to verify the validity of the returned confirmations. For the debtors and creditors' which had not replied Moore CPA Limited, McM inspected certain source documents to confirm relevant transactions amounts and balances, without any material deviations.

    For unreturned banks' confirmations, McM has reviewed all bank statements to verify the bank balances as at the end of the reporting period, without any material deviations.

b) *Impairment assessment of the Group's goodwill, receivables and property, plant and equipment with details of the models, assumptions and key inputs*

Based on the discussion between the former auditor and the management of the Group, there were no major concerns on the impairment on the Group's goodwill investments and property, plant and equipment. Instead, the two major outstanding items were the Group's impairment assessment on its interests in associates and the fair value assessment on its financial assets measured at fair value through profit or loss. For the interests in associates, the management of the Group was of the view that the interests in associates represented the investment cost for the 40% of the entire issued shares of Hong Kong Taichen Ecology Agricultural Development Company Limited and amount due from the associate in the amount of approximately HK$13.5 million, which were recognised at the last quarter of 2023. As such, the management of the Company considered that the carrying values as at 31 December 2023 was close to the fair values without impairment indicator noted. Thus, no impairment assessment was necessary.

The financial assets measured at fair value through profit or loss mainly represented the investment in a non-listed fund of HK$3.0 million as at 31 December 2023, which had an initial investment cost of approximately HK$5.9 million. The management of the Company has appointed a valuer, an independent third party, to assess this non-listed fund and its appraised value was approximately HK$7.0 million. Based on the sensitivity analysis and weighted worst-to-normal scenario approach adopted by the management of the Group, fair value loss of approximately HK$2.9 million was recorded for the year ended 31 December 2023. Thus, the management of the Group considered that the carrying amount of the non-listed fund of approximately of HK$3.0 million approximated its fair value as at 31 December 2023.

In light of the above, the Audit Committee is satisfied with the above AUP Procedures performed by McM. Consequently, the Audit Committee is of the opinion that the Company, with the assistance of McM, can publish the unaudited results for the year ended 31 December 2023 by the publication deadline (i.e. 28 March 2024) in accordance with the Hong Kong Standard on Related Services ("HKSRS") 4400 (Revised) "Agreed-Upon Procedures Engagements".

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 2023 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
John Warren McLennan
Executive Director, Chairman and Chief Executive Officer

Hong Kong, 28 March 2024

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, Mr. Wong Sui Chi and Mr. Chan Kin Sun 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.