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PACIFIC LEGEND GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8547)

DISCLOSEABLE TRANSACTION ACQUISITION OF 40% SHAREHOLDING INTEREST IN THE TARGET COMPANY

THE ACQUISITION

The Board would like to announce that on 10 November 2023 (after trading hours), the Vendor and the Purchaser, a wholly-owned subsidiary of the Company, entered into the SPA, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has agreed to sell, 40% shareholding interest in the Target Company at the Consideration of HK\$5.2 million.

GEM LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 5%, but all the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

As the Acquisition is subject to the fulfillment of certain conditions precedent set out in the SPA, the transactions contemplated thereunder may or may not proceed to Completion. Shareholders and potential investors of the Company should exercise caution when dealing in the securities in the Company.

THE ACQUISITION

On 10 November 2023 (after trading hours), the Vendor and the Purchaser, a wholly-owned subsidiary of the Company, entered into the SPA, the salient terms of which are set out as follows:

Date: 10 November 2023 (after trading hours)

Parties: (1) The Vendor; and

(2) The Purchaser.

Subject matter: The Purchaser has conditionally agreed to acquire, and the Vendor has agreed to sell, 40% shareholding interest in the Target Company. The Target Company will hold 50% shareholding interest in the PRC Company after the Reorganisation.

Consideration: The Consideration is HK\$5.2 million, comprising a refundable deposit of HK\$3 million which has been paid as at the date of this announcement and the balance of which shall be settled in cash upon Completion.

The Consideration was determined after arm's length negotiations between the parties after taking into account: (i) the audited net asset value of the PRC Company as at 30 September 2023 of approximately RMB27.5 million; and (ii) the reasons as set out in the paragraphs headed "Reasons for and benefits of the Acquisition" in this announcement.

Profit guarantee: Pursuant to the SPA, the Vendor irrevocably undertakes to the Purchaser that the actual profit after tax attributable to shareholders of the PRC Company for each of the financial years of 2024 ("FY2024") and 2025 ("FY2025") as audited by an auditor designated by the Purchaser (the "Actual Profit") shall not be less than the following guaranteed amount for the respective guaranteed periods (the "Guaranteed Profit"):

- FY2024: RMB1 million
- FY2025: RMB1 million

If the Actual Profit for any of the guaranteed periods is lower than the Guaranteed Profit for the same period, the Vendor shall, within one month after the issue of the audit report of the PRC Company for that period, repurchase from the Purchaser the 40% shareholding interest in the Target Company at the consideration of HK\$5.2 million.

Conditions precedent:

Completion is subject to certain conditions precedent being fulfilled (or waived by the Purchaser at its discretion) on or before 17 November 2023 (or such other date as agreed by the parties in writing), including but not limited to:

- (i) the Vendor having been the legal and beneficial owner of the shares in the Target Company being the subject of the Acquisition which are not subject to any encumbrance or third party right;
- (ii) the Purchaser having been satisfied with the net asset value of the PRC Company and results of the due diligence exercise on the Target Company and the PRC Company;
- (iii) the Target Company and the PRC Company having obtained all authorisation and approval in relation to the transactions under the SPA and the execution of all transaction documents;
- (iv) the Purchaser having obtained all internal approval in relation to the transactions under the SPA and the execution of all transaction documents;
- (v) the Vendor having completed all procedures to ensure that all liabilities of the Target Company and the PRC Company arising before completion of the Reorganisation shall be borne by the Vendor; and
- (vi) no material adverse change having arisen in relation to the management, business, assets, properties, financial condition, operation and/or prospect of the PRC Company.

Completion:

Subject to the fulfillment (or waiver by the Purchaser) of all aforesaid conditions precedent, Completion shall take place on the Completion Date.

The financial results of the Target Company and the PRC Company will not be consolidated to the financial results of the Group after Completion.

Condition subsequent:

For the purpose of the Acquisition and pursuant to the SPA, within one month after the Completion Date, the Vendor shall complete the following reorganisation steps (the “**Reorganisation**”) to the satisfaction of the Purchaser:

- (i) the Vendor shall transfer all her 50% equity interest in the PRC Company to the Target Company, such that after the Reorganisation, the PRC Company will be registered and held as to 50% by the Target Company;
- (ii) the Vendor shall procure that all properties and real estate, licenses, permits, approvals, assets (including pigs), intellectual properties, interests, contracts and arrangements related to the business and operation of the PRC Company be transferred thereto, and all insurance related to the business, operation and assets of the PRC Company be transferred thereto or that the PRC Company become the beneficiary of such insurance; and
- (iii) other reorganisation arrangements as requested by the Purchaser.

If the Reorganisation cannot be completed within the prescribed time above, the Vendor shall, within one month after the end of the prescribed time above, repurchase from the Purchaser the 40% shareholding interest in the Target Company at the consideration of HK\$5.2 million.

INFORMATION ABOUT THE GROUP AND THE PURCHASER

The Company is an investment holding company and its subsidiaries are 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 Purchaser is a wholly-owned subsidiary of the Company. The Purchaser is an investment holding company.

INFORMATION ABOUT THE VENDOR

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Vendor, Ms. Yan Kam Ying (殷錦英), is a merchant and an Independent Third Party.

INFORMATION ABOUT THE TARGET COMPANY AND THE PRC COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and an investment holding company. It was formed as a special purpose vehicle to hold the equity interest in the PRC Company. As at the date of this announcement, the Target Company is wholly owned by the Vendor; the PRC Company is held as to 50% by the Vendor and 50% by an Independent Third Party.

As disclosed above, pursuant to the SPA, the Vendor shall complete the Reorganisation after Completion and the Target Company will hold 50% equity interest in the PRC Company after the Reorganisation.

The PRC Company is a company established in the PRC with limited liability. The PRC Company is principally engaged in animal husbandry.

Set out below is a summary of the key financial information of the Target Company and the PRC Company:

Target Company:

	For the period from 14 August 2023 to 31 October 2023 <i>HK\$</i> <i>(approximately)</i> <i>(unaudited)</i>
Revenue	—
Net profit/(loss) before taxation and extraordinary items	(6,500)
Net profit/(loss) after taxation and extraordinary items	(6,500)
	As at 31 October 2023 <i>HK\$</i> <i>(approximately)</i> <i>(unaudited)</i>
Total assets	—
Net assets/(liabilities)	(7,500)

PRC Company:

	For the year ended 31 December 2021 RMB'000 (approximately) (audited)	For the year ended 31 December 2022 RMB'000 (approximately) (audited)	For the nine months ended 30 September 2023 RMB'000 (approximately) (audited)
Revenue	11,568	11,299	8,641
Net profit/(loss) before taxation and extraordinary items	377	334	277
Net profit/(loss) after taxation and extraordinary items	377	334	277
			As at 30 September 2023 RMB'000 (approximately) (audited)
Total assets			27,476
Net assets/(liabilities)			27,476

REASONS FOR AND BENEFITS OF THE ACQUISITION

Due to the repercussion of the outbreak of the COVID-19 and the social distancing measures, together with the continuously weak demand following the decline in the second-hand property market and by fierce price competition from other furniture providers, 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 Acquisition represents a positive investment opportunity for the Company to expand and diversify its business profile. The Board notes that the PRC Company has recorded stable income and profit in the past two financial years. Unlike the furniture business of the Group, the animal husbandry business of the PRC Company, sustained by the steady demand for food products in the PRC, has been less affected by COVID-19. The Board expects that the recovery of the PRC economy from COVID-19 will also benefit the business of the PRC Company. Given the business prospect of the PRC Company, it is believed that the investment in the PRC Company will bring a steady and additional source of income to the Group as the business of the PRC Company further develops. At the same time, the profit guarantee provided by the Vendor and her repurchase obligation serve as a protection of the Group's interest in the event the PRC Company does not achieve the expected level of profitability.

Having considered the above, the Directors are of the view that the terms of the SPA and the transactions contemplated thereunder (including the Acquisition) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 5%, but all the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below:

“Acquisition”	the acquisition of 40% shareholding interest in the Target Company by the Purchaser from the Vendor, pursuant to the SPA
“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 GEM
“Completion”	completion of the Acquisition in accordance with the terms of the SPA
“Completion Date”	the next business days after all conditions precedent are fulfilled (or waived by the Purchaser), or such other date as agreed by the parties in writing
“Connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the total consideration of HK\$5.2 million
“Director(s)”	the director(s) of the Company
“GEM”	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”	third party independent of and not connected with the Company or its connected persons
“PRC”	the People’s Republic of China
“PRC Company”	Huizhou Taichen Ecology Agricultural Development Company Limited* (惠州市泰琛生態農業發展有限公司), a company established in the PRC with limited liability
“Purchaser”	JF (Greater Bay) Group Company Limited, a company incorporated in the British Virgin Islands with limited liability, and a wholly-owned subsidiary of the Company
“Reorganisation”	has the meaning ascribed to it in the paragraphs headed “The Acquisition — Condition subsequent” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“SPA”	the share and purchase agreement dated 10 November 2023 and entered into between the Vendor and the Purchaser in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Hong Kong Taichen Ecology Agricultural Development Company Limited (香港泰琛生態農業發展有限公司), a company incorporated in Hong Kong with limited liability
“Vendor”	Ms. Yan Kam Ying (殷錦英)
“%”	per cent

As the Acquisition is subject to the fulfillment of certain conditions precedent set out in the SPA, the transactions contemplated thereunder may or may not proceed to Completion. Shareholders and potential investors of the Company should exercise caution when dealing in the securities in the Company.

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

Hong Kong, 10 November 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 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.

** For identification purposes only*