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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Pacific Legend Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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PACIFIC LEGEND GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8547)

(1) PROPOSED REFRESHMENT OF GENERAL MANDATE; AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
流博資本有限公司

Capitalised terms used in this cover page shall have the same meanings as defined in this circular unless otherwise specified.

A notice convening the EGM to be held at Units 1202–1204, Level 12, Cyberport 2, 100 Cyberport Road, Hong Kong on Monday, 8 January 2024 at 2:00 p.m. is set out on pages 41 to 44 of this circular. A form of proxy for use at the EGM is enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pacificlegendgroup.com).

Whether you are able to attend the EGM or not, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. no later than 2:00 p.m. on Saturday, 6 January 2024) or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM (or any adjournment thereof) if they so wish and in such event, the form of proxy shall be deemed to be revoked.

This circular will remain on the “Latest Listed Company Information” page of the Stock Exchange’s website at www.hkexnews.hk for a minimum period of seven days from the date of publication and on the website of the Company at www.pacificlegendgroup.com.

22 December 2023

CHARACTERISTICS OF GEM

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 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“AGM”	the annual general meeting of the Company held on 12 May 2023
“Board”	the board of Directors
“Company”	Pacific Legend Group Limited, a company incorporated in Cayman Islands with limited liability and the issued shares of which are listed on GEM (stock code: 8547)
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve, among other things, the proposed Refreshment of General Mandate
“Existing General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution passed at the AGM to allot and issue up to 316,800,000 Shares, representing 20% of the total number of issued Shares on the date of passing such resolution
“February Placing”	the placing of 264,000,000 new Pre-Existing Shares under the Existing General Mandate
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors to advise the Independent Shareholders on the proposed Refreshment of General Mandate

DEFINITIONS

“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry out business in Type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Refreshment of General Mandate
“Independent Shareholders”	Shareholder(s) other than any controlling shareholders and their associates or, where there are no controlling shareholders, any Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates who shall hold Shares as at the date of the EGM
“July Placing”	the placing of 230,700,000 new Pre-Existing Shares under the Existing General Mandate
“Latest Practicable Date”	20 December 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing”	the listing of the Pre-Existing Shares on GEM on 18 July 2018
“New General Mandate”	the new general mandate granted to the Directors pursuant to an ordinary resolution to be proposed at the EGM to allot and issue up to 20% of the total number of issued Shares on the date of passing such resolution
“Net Proceeds”	the net proceeds from the Listing
“Placings”	collectively, the February Placing, the July Placing and the September Placing
“PRC”	the People’s Republic of China which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company prior to the Share Consolidation became effective
“Refreshment of General Mandate”	the proposed granting of the New General Mandate to the Directors at the EGM
“September Placing”	the placing of 8,610,000 new Shares under the Existing General Mandate

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Share Consolidation”	the consolidation of every ten (10) issued and unissued Pre-Existing Shares with par value of HK\$0.01 each into one (1) Share with par value of HK\$0.10 each became effective on 28 July 2023
“Shareholder(s)”	holder(s) of the Share(s) or Pre-Existing Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“UAE”	the United Arab Emirates
“%”	per cent

LETTER FROM THE BOARD

PACIFIC LEGEND GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8547)

Executive Directors:

Mr. John Warren McLennan
(Chairman and Chief Executive Officer)
Ms. Shawlain Ahmin
Ms. Wong Wing Man

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Independent non-executive Directors:

Mr. So Alan Wai Shing
Mr. Lee Kwong Ming
Mr. Lee Fung Lun
Mr. Wong Sui Chi
Mr. Chan Kin Sun

Principal place of business in Hong Kong:

Units 1202-04, Level 12
Cyberport 2
100 Cyberport Road
Hong Kong

22 December 2023

To the Shareholders,

Dear Sir or Madam

**(1) PROPOSED REFRESHMENT OF GENERAL MANDATE;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide the Shareholders with information relating to (i) the Refreshment of General Mandate; (ii) recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Refreshment of General Mandate; (iii) the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate; and (iv) the notice of EGM, at which the necessary resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve the Refreshment of General Mandate by way of poll.

REFRESHMENT OF GENERAL MANDATE

Existing General Mandate

At the AGM, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing General Mandate to allot and issue not more than 316,800,000 Pre-Existing Shares, being 20% of the total number of issued Pre-Existing Shares as at the date of passing of the resolution at the AGM.

LETTER FROM THE BOARD

Reference is made to (i) the announcements of the Company dated 9 January 2023 and 6 February 2023 in relation to the February Placing; (ii) the announcements of the Company dated 9 June 2023 and 27 July 2023 in relation to the July Placing; (iii) the announcements of the Company dated 30 August 2023 and 13 September 2023 in relation to the September Placing; and (iv) the circular of the Company dated 10 July 2023 and the poll results announcement of the Company dated 26 July 2023 in relation to the Share Consolidation.

On 9 January 2023, the Company entered into a placing agreement in relation to the February Placing, which was completed on 6 February 2023. Thereafter, on 9 June 2023, the Company entered into a placing agreement in relation to the July Placing, which was completed on 27 July 2023. Upon completion of the February Placing and July Placing, an aggregate of 230,700,000 Pre-Existing Shares have been allotted and issued under the Existing General Mandate, with a remaining balance of 86,100,000 Pre-Existing Shares or 8,610,000 Shares which can be issued under the Existing General Mandate.

After the Share Consolidation became effective on 28 July 2023, the remaining balance of the Shares which can be issued under the Existing General Mandate was 8,610,000 Shares. Subsequently, on 30 August 2023, the Company entered into a placing agreement in relation to the September Placing which was completed on 13 September 2023. Upon completion of the September Placing, 8,610,000 Shares have been allotted and issued under the Existing General Mandate. As such, the Existing General Mandate had been fully utilised as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company had not refreshed the Existing General Mandate since the AGM.

Proposed grant of the New General Mandate

The Company proposes to convene the EGM at which the ordinary resolutions will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the New General Mandate to allot and issue Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of passing of the relevant ordinary resolution at the EGM; and
- (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the AGM.

The Company has not refreshed the Existing General Mandate since the AGM. The New General Mandate proposed will last until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or any other applicable laws to be held; or

LETTER FROM THE BOARD

- (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors under the New General Mandate.

As at the Latest Practicable Date, the Company had 190,080,000 Shares in issue. On the basis that there are no changes in the issued share capital of the Company from the Latest Practicable Date and up to the date of the EGM, the Directors will be authorised to allot and issue up to 38,016,000 new Shares under the New General Mandate, representing 20% of the issued share capital of the Company as at the date of the EGM.

Reasons for the grant of the New General Mandate

The Group is principally involved in (i) the sale 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).

In assessing the needs for the grant of the New General Mandate, the Board has considered the following:

(i) The Existing General Mandate has been fully utilised

The Existing General Mandate has been fully utilised as a result of the Placings and Share Consolidation. For further details, please refer to the paragraph headed “Existing General Mandate” above in the section headed “Letter from the Board”.

As the next annual general meeting of the Company will not be held until around May 2024 (the “**2024 AGM**”), for about five months the Company will no longer have the flexibility to raise further equity capital for general working capital of the Group and/or promptly meet fund raising opportunities should any business and investment opportunities with attractive terms arise prior to the 2024 AGM.

The Board considers that the Refreshment of General Mandate is in the interest of the Company and the Shareholders as a whole as it allows the Group to raise (i) general working capital for its ordinary and usual course of business; and/or (ii) fund for possible investment opportunities, and to meet the capital needs of the Group before the 2024 AGM as further explained below.

(a) General working capital for ordinary and usual course of business

In 2023, COVID-19 pandemic restrictions have eased and the borders of Hong Kong and the PRC have opened. The Hong Kong economy and property market have been gradually recovering and some of the local developers are taking more aggressive and price sensitive promotion strategy in stimulating the demands in local residential properties market. The Group has seized these opportunities and been working on the possible projects with some local developers involving supply of furniture package. The Group believes that there will be an increase in demand for

LETTER FROM THE BOARD

the Group's furniture business with new and existing Hong Kong commercial and residential property owners or tenants seeking to decorate, refit or renovate their properties, and a potential growth in demand of project management services for interior design and renovation. As a result, the Board takes the view that it is important for the Group to maintain a stable and sufficient funding for general working capital purposes of the Group.

While the Group had cash and cash equivalents of approximately HK\$26.9 million as at 30 November 2023, approximately HK\$10.8 million of which is the remaining Net Proceeds from the Listing and approximately HK\$5.3 million of which is the remaining net proceeds from the July Placing which have been allocated for designated usage, leaving free cash of approximately HK\$10.8 million to meet the capital needs for the daily business operation of the Group. Furthermore, the Group has been recording net cash outflow in operating its ordinary and usual course of business. As set out in the interim report of the Company for the six months ended 30 June 2023 ("**6M2023**") and further elaborated below, the Group recorded a net cash outflow of approximately HK\$7.2 million for 6M2023. For the past two months ended 30 November 2023, the Group continued to record an operating net cash outflow. The Directors estimate that the Group will continue to have net cash outflow in its ordinary and usual course of business before the 2024 AGM, taking into account the normal and usual expenditures in its ordinary business and the facts that (i) the Group has to repay a bank loan of approximately HK\$2.4 million before the 2024 AGM; (ii) the Group expects to pay the annual bonus to its employees in the first quarter of 2024; and (iii) the Group has several ongoing projects with the local property developers which may require an upfront expenditure from the Group for provision of furniture package in the first half year in 2024 but are expected to generate cash inflow to the Group only until the third quarter of 2024.

In view of the above, the Directors are of the view that the Group has a genuine need for general working capital and the Refreshment of General Mandate will provide the Company a flexibility to raise further equity capital to meet its capital needs for its ordinary and usual course of business before the 2024 AGM.

(b) Fund for investment opportunities

With the ease of COVID-19 pandemic restrictions and the re-open of the borders of Hong Kong and the PRC, market sentiment is gradually restoring and the Group notes that business activities, which have been suppressed for years due to the COVID-19 pandemic, have become more active recently. Accordingly, the Company has been exploring various business opportunities (i) to pick up and expand its existing business either by way of organic growth or acquisition of suitable project management company(ies) engaging in interior design and renovation services and (ii) to diversify and broaden the income source of the Group, and actively negotiating with different business partners from time to time for possible collaboration.

LETTER FROM THE BOARD

For business opportunities in connection with the expansion of the Group's existing business, while the Group will continue to expand its retail network and enhance the online shop by applying the Net Proceeds from the Listing, which have been designated for such usage, with the timetable as disclosed below, in light of the Company's recent effort in its business cooperation with the local property developers in Hong Kong, the Company will closely monitor the business environment in PRC and UAE and may reallocate part of the Net Proceeds from the Listing for financing projects between the Group and local property developers which usually require upfront expenditure from the Group before generating any income. If any change of usage of the Net Proceeds from the Listing takes place, the Company will make further announcement(s) in accordance with the GEM Listing Rules.

On the other hand, in addition to expanding its business by organic growth, the Group is looking for acquisition opportunities of suitable project management companies engaging in interior design and renovation services that can provide a synergy effect to the existing business of the Group. Although the Group has no concrete acquisition plan as at the Latest Practicable Date, the Directors take the view that the Refreshment of General Mandate can better prepare the Group to timely and promptly seize the acquisition opportunities whenever these opportunities arise, given the Net Proceeds from the Listing have designated usage and may not be readily used for such purpose.

In relation to investment opportunities to diversify and broaden the income source of the Group, as disclosed in the announcements of the Company dated 9 October 2023 and 10 November 2023, the Company has made investment in (i) MPJS Group Limited, which is principally engaged in jewelry wholesale, jewelry design, setting, production, and retail direct sales, and (ii) Hong Kong Taichen Ecology Agricultural Development Company Limited, which will be principally engaged in animal husbandry, respectively, both of which were or will be financed by the proceeds from the July Placing.

The Board is of the view that given the dynamic and rapid changing business environment, time is of the essence in terms of securing suitable investment and fundraising opportunities. Therefore, issuing Shares under specific mandate may not be the most suitable fundraising method for the purpose of capturing investment opportunities in a timely manner due to the lengthy formalities associated with holding a general meeting to obtain the Shareholders' approval after the terms of the potential investment opportunities and proposed new Shares issuance are finalised. On the other hand, the grant of the New General Mandate would avoid the uncertainties of not obtaining a specific mandate in a timely fashion and is a more expeditious solution for the Company to respond quickly to market conditions and fundraising opportunities. In addition, whenever an attractive offer for investment in the Shares is received by the Company from potential investors before the 2024 AGM, the Directors will be able to react promptly to such fund-raising opportunities by considering the issue of new Shares under the New General Mandate.

LETTER FROM THE BOARD

Given the economic condition situation disclosed above, in particular having taken into account the re-opening of borders and expected recovery of the global economy and the capital markets of both Hong Kong and the PRC, the Company believes that it is important for the Company to have the option to raise funding at short notice should any business or investment opportunities with attractive terms arise prior to the 2024 AGM. As such, given the Existing General Mandate has been fully utilised and most of the proceeds from the fund raising activities using the Existing General Mandate has been or is expected to be soon utilised, the grant of New General Mandate will empower the Group to issue new Shares under the refreshed limit and provide the Group with the ability and flexibility to capture such prospective investment opportunities as and when they arise for future growth and create better return for Shareholders.

In light of the above, the Directors consider that despite no further concrete investment plan as at the Latest Practicable Date save as disclosed above, the refreshed limit under the New General Mandate represents an opportunity to raise additional funding for general working capital to the Group to meet any financial obligations of the Group without any interest burden and to finance possible investment opportunities should these opportunities arise, and is in the interest of the Company and the Shareholders as a whole.

(ii) Cash position and cash flows from operating activities

As set out in the interim report of the Company for 6M2023, (a) as at 30 June 2023, the Group had cash and cash equivalents of approximately HK\$10.7 million, with total liabilities of approximately HK\$83.7 million; (b) the Group's net cash used in operating activities for 6M2023 was approximately HK\$8.8 million; (c) the Group's net cash used in investing activities for 6M2023 was approximately HK\$5.7 million; (d) the Group's net cash generated from financing activities for 6M2023 was approximately HK\$7.3 million; and (e) the Group had total interest-bearing bank borrowings of approximately HK\$11.2 million as at 30 June 2023.

As at 30 November 2023, the Group had cash and cash equivalents of approximately HK\$26.9 million comprising of, among others, (i) the remaining Net Proceeds from the Listing amounting to approximately HK\$10.8 million as disclosed below; and (ii) the amount of approximately HK\$16.1 million including the fund generated from its operations and the remaining net proceeds from the July Placing.

The Directors considered that if the New General Mandate is granted, it is in the interests of the Company to raise additional capital to strengthen the cash flow position of the Group in the long run for its business development.

LETTER FROM THE BOARD

(iii) The net proceeds from previous fund-raising activities have been mostly utilised

(a) The Net Proceeds from the Listing

The Net Proceeds received by the Company after deducting the underwriting commissions and fees and other listing related expenses amounted to approximately HK\$48.5 million.

The following table sets forth the status of the use of the Net Proceeds as at the Latest Practicable Date:

	Allocation of the unutilised Net Proceeds <i>HK\$'000</i> <i>(approximately)</i>	Utilised Net Proceeds up to the Latest Practicable Date <i>HK\$'000</i> <i>(approximately)</i>	Balance of Net Proceeds as at the Latest Practicable Date <i>HK\$'000</i> <i>(approximately)</i>	Expected timeline for fully utilising the remaining Net Proceed
Expand the Group's retail network by opening additional retail stores in PRC and UAE	12,284	(4,186)	8,098	End of December 2024
Expand the Group's retail network by opening additional retail stores in Hong Kong	2,000	(1,575)	425	End of December 2024
Enhance the Group's online shop and the Group's information technology capability	3,000	(2,128)	872	End of December 2024
Recruitment for the Group's planned new retail stores in PRC and UAE	1,392	—	1,392	End of December 2024
General working capital	<u>5,000</u>	<u>(5,000)</u>	<u>—</u>	Fully utilised
	<u>23,676</u>	<u>(12,889)</u>	<u>10,787</u>	

LETTER FROM THE BOARD

(b) The net proceeds from the Placings

The Company has raised net proceeds of approximately HK\$13.5 million from the February Placing, approximately HK\$17.59 million from the July Placing and approximately HK\$1.67 million from the September Placing. The net proceeds from the February Placing and September Placing have been fully utilised as intended as at the Latest Practicable Date.

In relation to the July Placing, as at the Latest Practicable Date, (i) HK\$4.0 million has been utilised or allocated for the subscription of shares in MPJS Group Limited as disclosed in the announcement of the Company dated 9 October 2023; (ii) HK\$5.2 million has been utilised or allocated for the acquisition of shares in Hong Kong Taichen Ecology Agricultural Development Company Limited as disclosed in the announcement of the Company dated 10 November 2023; and (iii) approximately HK\$3.1 million has been utilised for general working capital for operations. The balance of the net proceeds from the July Placing is intended to be further used for financing possible investment in businesses. The Directors expect that the remaining net proceeds from the July Placing will be fully utilised by early 2024. For further details, please refer to the paragraphs headed “Reasons for the grant of the New General Mandate — The Existing General Mandate has been fully utilised” above and “Fund raising activities of the Company in the past twelve months” below in the section headed “Letter from the Board”.

The Directors considered that if the New General Mandate is granted, it is in the interests of the Company to raise additional capital in a timely manner to fulfill any possible funding needs for general working capital and/or future business development which may arise at any time.

(iv) Other financing alternatives

The Directors have also considered other financing alternatives such as debt financing, rights issue, open offer, issuing shares under specific mandate or internal cash resources to meet the financial requirements of the Group, if appropriate, taking into account the then financial position, capital structure and flexibility of the Group as well as the prevailing market condition. However, the Board believes that the proposed grant of the New General Mandate serves the best interests of the Company and the Shareholders considering that:

- (i) Debt financing may be subject to lengthy due diligence and negotiations and impose interest burden (especially under the recent upward trend of interest rates) on the Group. In addition, bank borrowings generally require security of property. The Directors consider that, currently, the Group does not have material assets suitable and available for pledging to secure substantial amount of bank borrowings;

LETTER FROM THE BOARD

- (ii) Pre-emptive fundraising methods such as rights issue or open offer may involve substantial time to complete as compared to equity financing by issuance of new Shares under general mandate. In particular, a rights issue or an open offer normally takes at least five to six weeks, and lengthy discussions with potential commercial underwriters may also be involved. If shareholders' approval is required, it may take over two months, which is primarily due to the time for the issuer to prepare a shareholder's circular and the notice period for the shareholders' meeting. Therefore, it would not allow the Company to satisfy its funding requirements in a timely manner if required; and
- (iii) As compared to equity financing by issuance of new Shares under general mandate, issuing Shares under specific mandate would involve extra time from the finalisation of the relevant terms of the fundraising plan, the preparation, printing and despatch of the relevant circular and other documentations, as well as the holding and convening of extraordinary general meeting on each occasion of issue, and equity financing by issuance of new Shares under general mandate would allow the Company to avoid the uncertainties in such circumstances where the approval for specific mandate may not be obtained in a timely manner.

Accordingly, the Directors consider that the Refreshment of General Mandate offers the Company with greater financing flexibility to cope with the funding needs of the Company by providing a more efficient process of fund raising and avoiding the uncertainties of not obtaining a specific mandate in a timely fashion. As at the Latest Practicable Date, the Company has no intention to further refresh the New General Mandate before the 2024 AGM.

In light of the above, the Directors are of the view that the Refreshment of General Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save for equity fund raising activities mentioned below, the Company has not carried out any other equity fund raising activities in the past twelve-month period immediately preceding the Latest Practicable Date:

Date of announcement	Event	Net proceeds raised	Intended use of proceeds	Utilised/allocated proceeds up to the Latest Practicable Date	Actual/allocated use of proceeds as at the Latest Practicable Date
6 February 2023	Placing of 264,000,000 new Pre-Existing Shares under the Existing General Mandate	Approximately HK\$13,500,000	a) Possible merger and acquisition opportunities to expand its project segment; and b) General working capital for operations	Fully utilised	a) HK\$3,000,000 for acquisition of 75.02% interest in a Project Management company; and b) Administrative and operations of HK\$10,500,000
27 July 2023	Placing of 230,700,000 new Pre-Existing Shares under the Existing General Mandate	Approximately HK\$17,590,000	a) Possible merger and acquisition opportunities in future; and b) General working capital for operations	Approximately HK\$12,290,000	a) (i) HK\$4,000,000 for acquisition of 6.7% interest in MPJS Group Limited. Please refer to the announcement of the Company dated 9 October 2023 for further details; (ii) HK\$5,200,000 for acquisition of 40% interest in Hong Kong Taichen Ecology Agricultural Development Company Limited. Please refer to the announcement of the Company dated 10 November 2023 for further details; and b) Administrative and operations of HK\$3,090,000

LETTER FROM THE BOARD

Date of announcement	Event	Net proceeds raised	Intended use of proceeds	Utilised/allocated proceeds up to the Latest Practicable Date	Actual/allocated use of proceeds as at the Latest Practicable Date
13 September 2023	Placing of 8,610,000 new Shares under the Existing General Mandate	Approximately HK\$1,670,000	General working capital for operations	Fully utilised	Administrative and operations of HK\$1,670,000

Potential dilution to shareholdings of the Shareholders

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilisation of the New General Mandate (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the date of the full utilisation of the New General Mandate), for illustrative and reference purpose:

Name of Shareholder	As at the Latest Practicable Date		Immediately following the full utilisation of the New General Mandate	
	Number of Shares (Note 1)	Approximate %	Number of Shares (Note 1)	Approximate %
Double Lions Limited (Notes 2, 3, 4 and 5)	41,450,000	21.81	41,450,000	18.17
Mr. Cheung Wai Keung	13,200,000	6.94	13,200,000	5.79
Century Great Investments Limited (Note 6)	36,917,000	19.42	36,917,000	16.18
Public Shareholders	98,513,000	51.83	98,513,000	43.19
Maximum number of Shares to be issued under the New General Mandate	—	—	<u>38,016,000</u>	<u>16.67</u>
Total	<u>190,080,000</u>	<u>100.00</u>	<u>228,096,000</u>	<u>100.00</u>

Notes:

- The Share Consolidation of every ten (10) issued and unissued existing shares with par value of HK\$0.01 each into one (1) consolidated share with par value of HK\$0.10 each became effective on 28 July 2023.
- Double Lions Limited is owned as to 40.48% by Mr. John Warren McLennan, 20.00% by Ms. Tracy-Ann Fitzpatrick, 14.88% by Ms. Alison Siobhan Bailey, 14.88% by Mr. John Martin Rinderknecht and 9.76% by Mr. James Seymour Dickson Leach (collectively, with Double Lions Limited, the “**Double Lions Shareholders**”). Each of the Double Lions Shareholders executed the deed of acting in concert dated 12 February 2018 confirming the existence of their acting in concert and are deemed to be interested in all the Shares owned by Double Lions Limited.
- Mrs. Jennifer Carver McLennan is the spouse of Mr. John Warren McLennan and is deemed to be interested in the Shares held by Mr. John Warren McLennan by virtue of the SFO.
- Mr. David Frances Bulbeck is the spouse of Ms. Tracy-Ann Fitzpatrick and is deemed to be interested in the Shares held by Ms. Tracy-Ann Fitzpatrick by virtue of the SFO.

LETTER FROM THE BOARD

5. Ms. Alison Siobhan Bailey and Mr. James Seymour Dickson Leach are married to each other and each of them is deemed to be interested in the Shares held by her/his spouse via Double Lions Limited by virtue of the SFO.
6. Century Great Investments Limited is 100% owned by Ms. Wong Wing Man, an executive Director of the Company.

As illustrated in the table above, assuming that (i) the grant of New General Mandate is approved at the EGM; and (ii) no Shares will be issued or repurchased by the Company from the Latest Practicable Date up to and including the date of the EGM, upon full utilisation of the New General Mandate, 38,016,000 new Shares can be issued, which represent 20% of the aggregate number of issued Shares as at the Latest Practicable Date and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of such new Shares and the shareholding of the existing public Shareholders would be diluted from approximately 51.83% as at the Latest Practicable Date to approximately 43.19% upon full utilisation of the New General Mandate.

Having considered the factors as set out in the paragraph headed “Reasons for the grant of the New General Mandate” above, the Directors are of the view that the aforesaid dilution impact on the shareholding of the existing public Shareholders to be acceptable and the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

Pursuant to Rule 17.42A(1) of the GEM Listing Rules, the approval of the proposed Refreshment of General Mandate will be subject to Independent Shareholder’s approval at a general meeting of the Company. Any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour of the resolution to approve the proposed Refreshment of General Mandate.

As at the Latest Practicable Date, there is no controlling Shareholder. As at the Latest Practicable Date, Double Lions Limited is owned as to 40.48% by Mr. John Warren McLennan, 20.00% by Ms. Tracy-Ann Fitzpatrick, 14.88% by Ms. Alison Siobhan Bailey, 14.88% by Mr. John Martin Rinderknecht and 9.76% by Mr. James Seymour Dickson Leach. Each of the Double Lions Shareholders executed the deed of acting in concert dated 12 February 2018 confirming the existence of their acting in concert and are deemed to be interested in all the Shares owned by Double Lions Limited, being 41,450,000 Shares, representing approximately 21.81% of the total issued share capital of the Company. Mr. John Warren McLennan, being an executive Director of the Company, is holding approximately 40.48% of the shares of Double Lions Limited, and therefore Double Lions Limited is considered as an associate of Mr. John Warren McLennan under the GEM Listing Rules.

As at the Latest Practicable Date, Century Great Investments Limited hold 36,917,000 Shares, representing approximately 19.42% of the total issued share capital of the Company, which is 100% owned by Ms. Wong Wing Man, an executive Director of the Company, and therefore Century Great Investments Limited is considered as an associate of Ms. Wong Wing Man under the GEM Listing Rules.

LETTER FROM THE BOARD

Accordingly, pursuant to Rule 17.42A(1) of the GEM Listing Rules, Double Lions Limited and Century Great Investments Limited, holding in aggregate 78,367,000 Shares, representing approximately 41.23% of the total issued Shares, is required to abstain from voting in favour of the resolutions to approve the proposed Refreshment of General Mandate as at the Latest Practicable Date.

As at the Latest Practicable Date, no parties required to abstain from voting in favour of the resolutions to be proposed at the EGM have indicated that they intend to vote against on any resolutions at the EGM.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, save as disclosed and as at the Latest Practicable Date, no Shareholder is required to abstain from voting on the proposed resolution on the Refreshment of General Mandate at the EGM.

EGM

The Company will convene the EGM at Units 1202–1204, Level 12, Cyberport 2, 100 Cyberport Road, Hong Kong on Monday, 8 January 2024 at 2:00 p.m. (or any adjournment thereof) to consider and, if thought fit, approve, among other things, the Refreshment of General Mandate.

The Independent Board Committee, comprising of all the independent non-executive Directors, namely Mr. So Alan Wai Shing, Mr. Lee Kwong Ming, Mr. Lee Fung Lun, Mr. Wong Sui Chi and Mr. Chan Kin Sun, has been established to consider and, if appropriate, make a recommendation to the Independent Shareholders (i) as to whether the terms of the Refreshment of General Mandate are fair and reasonable and whether the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole; and (ii) to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Refreshment of General Mandate.

A proxy form for use at the EGM is enclosed with this circular. All registered Shareholders will be able to join the EGM in person to consider and, if thought fit, approve, among other things, the Refreshment of General Mandate.

LETTER FROM THE BOARD

A notice convening the EGM is set out on pages 41 to 44 of this circular. Whether or not you intend to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM (i.e. no later than 2:00 p.m. on Saturday, 6 January 2024) or any adjournment thereof (as the case may be). The completion and return of the form of proxy will not preclude you from attending and voting at the EGM in person (or any adjournment thereof) should you so wish.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 3 January 2024 to Monday, 8 January 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM to be held on Monday, 8 January 2024, all share transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not later than 4:00 p.m. on Tuesday, 2 January 2024.

RECOMMENDATION

The Directors consider that the terms of the Refreshment of General Mandate are fair and reasonable and the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole and therefore recommend the Independent Shareholders to vote in favour of the Refreshment of General Mandate to be proposed at the EGM.

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 19 of this circular which contains its recommendation to the Independent Shareholders in relation to the Refreshment of General Mandate; and (ii) the letter of advice from the Independent Financial Adviser set out in pages 20 to 40 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Refreshment of General Mandate

GENERAL

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose 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, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

By order of the Board
Pacific Legend Group Limited
Shawlain Ahmin
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

PACIFIC LEGEND GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8547)

22 December 2023

To the Independent Shareholders,

PROPOSED REFRESHMENT OF GENERAL MANDATE

We have been appointed as the Independent Board Committee to advise the Independent Shareholders in connection with the Refreshment of General Mandate, details of which are set out in the circular of the Company to the Independent Shareholders dated 22 December 2023 (“**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the principal reasons and factors considered by, and the advice of the Independent Financial Adviser in relation thereto as set out in the Circular, we are of the view that the terms of the Refreshment of General Mandate are fair and reasonable and that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Refreshment of General Mandate.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. So Alan
Wai Shing**

**Mr. Lee Kwong
Ming**

**Mr. Lee Fung
Lun**

**Mr. Wong Sui
Chi**

**Mr. Chan Kin
Sun**

Independent non-executive Directors

LETTER FROM RAINBOW CAPITAL

The following is the full text of a letter of advice from Rainbow Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Refreshment of General Mandate, which has been prepared for the purpose of incorporation in this circular.

Rainbow Capital (HK) Limited

22 December 2023

To the Independent Board Committee and the Independent Shareholders

Pacific Legend Group Limited
Units 1202–04, Level 12
Cyberport 2
100 Cyberport Road
Hong Kong

Dear Sir or Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Refreshment of General Mandate, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 22 December 2023 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

At the AGM held on 12 May 2023, the Existing General Mandate was granted by the Shareholders to the Directors to allot and issue not more than 316,800,000 Pre-Existing Shares, being 20% of the total number of issued Pre-Existing Shares as at the date of passing of the resolution at the AGM. During the period from the date of grant of the Existing General Mandate and up to the Latest Practicable Date, the Existing General Mandate was fully utilised, where a total of 316,800,000 Pre-Existing Shares, representing 100% of the Pre-Existing Shares which can be allotted and issued under the Existing General Mandate, were allotted and issued by the Company under the July Placing (being the placing of 230,700,000 new Pre-Existing Shares before the Share Consolidation became effective) and the September Placing (being the placing of 8,610,000 new Shares after the Share Consolidation became effective). As at the Latest Practicable Date, there remains no Shares issuable under the Existing General Mandate. Therefore, the Board proposes to refresh the Existing General Mandate and grant the New General Mandate for the Directors to allot and issue Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of passing of the relevant ordinary resolution at the EGM.

LETTER FROM RAINBOW CAPITAL

Pursuant to Rule 17.42A(1) of the GEM Listing Rules, the approval of the proposed Refreshment of General Mandate will be subject to the Independent Shareholder's approval at a general meeting of the Company. Any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour of the resolution to approve the proposed Refreshment of General Mandate.

As at the Latest Practicable Date, the Company had no controlling Shareholder. As at the Latest Practicable Date, Double Lions Limited is owned as to 40.48% by Mr. John Warren McLennan, 20.00% by Ms. Tracy-Ann Fitzpatrick, 14.88% by Ms. Alison Siobhan Bailey, 14.88% by Mr. John Martin Rinderknecht and 9.76% by Mr. James Seymour Dickson Leach (collectively, with Double Lions Limited, the "**Double Lions Shareholders**"). Each of the Double Lions Shareholders executed the deed of acting in concert dated 12 February 2018 confirming the existence of their acting in concert and are deemed to be interested in all the Shares owned by Double Lions Limited, being 41,450,000 Shares, representing approximately 21.81% of the total issued share capital of the Company. Mr. John Warren McLennan, being an executive Director of the Company, is holding approximately 40.48% of the shares of Double Lions Limited, and therefore Double Lions Limited is considered as an associate of Mr. John Warren McLennan under the GEM Listing Rules. As at the Latest Practicable Date, Century Great Investments Limited holds 36,917,000 Shares, representing approximately 19.42% of the total issued share capital of the Company, which is 100% owned by Ms. Wong Wing Man, an executive Director of the Company, and therefore Century Great Investments Limited is considered as an associate of Ms. Wong Wing Man under the GEM Listing Rules. Accordingly, pursuant to Rule 17.42A(1) of the GEM Listing Rules, Double Lions Limited and Century Great Investments Limited, holding in aggregate 78,367,000 Shares, representing approximately 41.23% of the total issued Shares as at the Latest Practicable Date, are required to abstain from voting in favour of the proposed resolution at the EGM. To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, save for the aforesaid, no Shareholder is required to abstain from voting on the proposed resolution on the proposed Refreshment of General Mandate at the EGM.

The Independent Board Committee, comprising all the five independent non-executive Directors, namely Mr. So Alan Wai Shing, Mr. Lee Kwong Ming, Mr. Lee Fung Lun, Mr. Wong Sui Chi and Mr. Chan Kin Sun, has been established to advise the Independent Shareholders on whether the proposed Refreshment of General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

LETTER FROM RAINBOW CAPITAL

As at the Latest Practicable Date, we did not have any relationships or interests with the Group that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group. Accordingly, we are qualified to give independent advice in respect of the proposed Refreshment of General Mandate.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or their respective substantial shareholders, subsidiaries or associates.

LETTER FROM RAINBOW CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation in respect of the proposed Refreshment of General Mandate, we have taken into account the principal factors and reasons set out below:

1. Background of the proposed Refreshment of General Mandate

Pursuant to an ordinary resolution passed by the Shareholders at the AGM, the Directors were authorised to, among other things, allot and issue not more than 316,800,000 Pre-Existing Shares, being 20% of the total number of issued Pre-Existing Shares as at the date of passing of the resolution at the AGM.

As disclosed in the announcements of the Company dated 9 June 2023 and 27 July 2023, the Company entered into a placing agreement in relation to the placing of 230,700,000 new Pre-Existing Shares on 9 June 2023, which was completed on 27 July 2023 (i.e. the July Placing). Upon completion of the July Placing, an aggregate of 230,700,000 Pre-Existing Shares have been allotted and issued under the Existing General Mandate, with a remaining balance of 86,100,000 Pre-Existing Shares which can be issued under the Existing General Mandate.

After the Share Consolidation (being the consolidation of every ten (10) issued and unissued Pre-Existing Shares into one (1) Share) became effective on 28 July 2023, the remaining balance of the Shares which can be issued under the Existing General Mandate was 8,610,000 Shares. As disclosed in the announcement of the Company dated 30 August 2023 and 13 September 2023, the Company entered into a placing agreement in relation to the placing of 8,610,000 new Shares on 30 August 2023, which was completed on 13 September 2023 (i.e. the September Placing). As such, the Existing General Mandate has been fully utilised. As at the Latest Practicable Date, the Company has not refreshed the Existing General Mandate since the date of the AGM. It is expected that the next annual general meeting of the Company (the “**2024 AGM**”) will be held in around May 2024, which is about five months from the date of the Circular.

As set out in the Letter from the Board, the Board proposes to convene the EGM at which ordinary resolutions will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the New General Mandate to allot and issue Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of passing of the relevant ordinary resolution at the EGM; and
- (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the AGM.

LETTER FROM RAINBOW CAPITAL

The Company has not refreshed the Existing General Mandate since the AGM. The New General Mandate proposed will last until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or any other applicable laws to be held; or
- (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors under the New General Mandate.

As at the Latest Practicable Date, the Company had 190,080,000 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the Refreshment of General Mandate and on the basis that there are no changes in the issued share capital of the Company from the Latest Practicable Date and up to the date of the EGM, the Directors will be authorised to allot and issue up to 38,016,000 new Shares under the New General Mandate, representing 20% of the issued share capital of the Company as at the date of the EGM.

2. Background of the Group

The Group is principally engaged in (i) the sale 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).

LETTER FROM RAINBOW CAPITAL

(i) Financial performance

Set out below is a summary of the consolidated financial information of the Group for (i) the two years ended 31 December 2022 (“FY2021” and “FY2022”, respectively) as extracted from the Company’s annual report for FY2022 (the “2022 Annual Report”); and (ii) the nine months ended 30 September 2022 and 2023 (“9M2022” and “9M2023”, respectively) as extracted from the Company’s third quarterly report for 9M2023 (the “2023 Third Quarterly Report”):

	For the year ended		For the nine	
	31 December		months ended	
	2021	2022	2022	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	244,349	204,038	142,963	186,258
— Sale of home furniture and accessories	165,646	148,232	102,699	93,089
— Rental of home furniture and accessories	18,595	20,623	16,621	21,624
— Project and hospitality services	60,108	35,183	23,643	71,545
Cost of sales	(113,207)	(97,590)	(65,200)	(89,305)
Gross profit	131,142	106,448	77,763	96,953
Other income and gains	6,757	9,768	5,930	2,383
Selling and distribution costs	(44,665)	(47,445)	(33,662)	(38,848)
Provision for expected credit losses on trade and other receivables, net	—	—	—	(2,537)
Administrative and other operating expenses	(102,232)	(87,055)	(67,060)	(65,670)
Impairment losses on financial assets, net	(1,361)	(7,260)	—	—
Impairment losses on non-current assets, net	(17,115)	(21,268)	—	—
Finance costs	(793)	(1,074)	(675)	(2,013)
Loss before taxation	(28,267)	(47,886)	(17,704)	(9,732)
Income tax credit/(expense)	101	(2)	—	—
Loss attributable to the Shareholders	(28,166)	(46,369)	(17,704)	(8,401)

LETTER FROM RAINBOW CAPITAL

FY2022 as compared to FY2021

Revenue of the Group was approximately HK\$204.0 million for FY2022, representing a decrease of approximately 16.5% as compared to approximately HK\$244.4 million for FY2021. Such decrease was mainly attributable to (a) the decrease in revenue generated from the sale of home furniture and accessories by approximately 10.5% as a result of the fierce price competition from other furniture retailers, the low demand in furniture retail market caused by the departure of expatriates and the weak second hand property market in Hong Kong, as well as the closure of two stores in Shanghai; and (b) the decrease in revenue generated from project and hospitality services by approximately 41.5% because the fifth wave of COVID-19 pandemic has stalled the progress of the Group's existing projects in the first half of 2022.

Gross profit of the Group for FY2022 amounted to approximately HK\$106.4 million, representing a decrease of approximately 18.8% from approximately HK\$131.1 million for FY2021, which was generally in line with the decrease in the Group's revenue during the period.

The Group recorded loss attributable to the Shareholders of approximately HK\$46.4 million for FY2022, as compared to loss of approximately HK\$28.2 million for FY2021. Such increase in net loss was primarily attributable to (a) the decrease in revenue and gross profit as mentioned above; (b) the increase in net impairment losses on financial assets by approximately HK\$5.9 million mainly due to that the Group identified certain underperformed retail stores and business units and estimated recoverable amounts of the non-current assets attributable to these stores and business units; and (c) the increase in net impairment losses on non-current assets by approximately HK\$4.2 million mainly due to the net provision of expected credit loss in respect of certain monetary assets, which was partially offset by (a) the increase in other income and gains by approximately HK\$3.0 million mainly due to the reversal of over-provision of reinstatement costs of the Group's leased premises upon the expiry of lease agreement; and (b) the decrease in administrative and other operating expenses by approximately HK\$15.2 million mainly due to (1) the reduction in staff costs following the staff reorganisation in the Group's Hong Kong office since June 2021; (2) the decrease in certain legal and professional fees; and (3) the reduction of rental expenses as a result of closure of certain stores in Hong Kong and Shanghai.

LETTER FROM RAINBOW CAPITAL

9M2023 as compared to 9M2022

Revenue of the Group was approximately HK\$186.3 million for 9M2023, representing an increase of approximately 30.3% as compared to approximately HK\$143.0 million for 9M2022. Such increase was mainly attributable to (a) the increase in revenue generated from the rental of home furniture and accessories by approximately 30.1% as a result of new rental contracts for certain embassies in the UAE; and (b) the increase in revenue generated from project and hospitality services by approximately 202.6% mainly due to (1) the completion of a few projects in 9M2023 which contributed a significant proportion of revenue after the relaxation of pandemic measures in 2023; and (2) the completion of certain stages of furniture delivery to a local conglomerate in the UAE in respect of their crew quarters in 2023.

Gross profit of the Group for 9M2023 amounted to approximately HK\$97.0 million, representing an increase of approximately 24.7% from approximately HK\$77.8 million for 9M2022, which was generally in line with the increase in the Group's revenue during the period.

The Group recorded loss attributable to the Shareholders of approximately HK\$8.4 million for 9M2023, as compared to loss of approximately HK\$17.7 million for 9M2022. Such significant decrease in net loss was primarily attributable to the increase in revenue and gross profit as mentioned above, which was partially offset by (a) the decrease in other income and gains by approximately HK\$3.5 million mainly due to the one-off sublease income in a Shanghai retail store and the one-off grant received from the Employment Support Scheme under the Anti-epidemic Fund set up by Hong Kong government in 2022, both of which were non-recurring in 2023; (b) the increase in selling and distribution costs by approximately HK5.2 million in line with the revenue growth for 9M2023; and (c) the increase in net provision for expected credit losses on trade and other receivables by approximately HK\$2.5 million.

LETTER FROM RAINBOW CAPITAL

(ii) Financial position and cash flows

Set out below is a summary of (a) the consolidated statements of financial position of the Group as at 31 December 2021 and 2022 and 30 June 2023; (b) the consolidated cash flows statements of the Group for FY2021, FY2022 and the six months ended 30 June 2023 (“6M2023”) as extracted from the 2022 Annual Report and the interim report of the Company for 6M2023 (the “2023 Interim Report”):

	As at 31 December		As at
	2021	2022	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)
Non-current assets, including:	18,048	13,817	26,396
— Right-of-use assets	4,089	1,357	9,116
— Financial assets measured at fair value through profit or loss	6,000	5,938	5,938
— Non-refundable deposit	4,000	4,000	4,000
Current assets, including:	133,265	116,153	110,587
— Inventories	36,608	40,217	37,752
— Trade and other receivables	54,884	48,618	50,104
— Pledged bank deposits	3,000	3,000	3,000
— Cash and cash equivalents	33,390	17,824	10,718
Total assets	151,313	129,970	136,983
Current liabilities, including:	50,129	74,526	65,924
— Trade and other payables	19,811	17,565	22,553
— Contract liabilities	15,397	35,252	19,314
— Interest-bearing bank borrowings	859	7,667	11,221
— Lease liabilities	12,987	13,056	11,889

LETTER FROM RAINBOW CAPITAL

	As at 31 December		As at
	2021	2022	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)
Non-current liabilities, including:			
— Lease liabilities	12,486	15,462	17,726
	5,499	8,313	9,961
Total liabilities	62,615	89,988	83,650
Net current assets	83,136	41,627	44,663
Equity attributable to the Shareholders	84,698	37,501	52,067
Net cash (used in)/generated from operating activities	(17,180)	1,036	(8,757)
Net cash used in investing activities	(12,713)	(6,793)	(5,714)
Net cash (used in)/generated from financing activities	(1,438)	(9,571)	7,306
Net decrease in cash and cash equivalents	(31,331)	(15,328)	(7,165)

As at 30 June 2023, total assets of the Group amounted to approximately HK\$137.0 million, which mainly included (a) right-of use assets of approximately HK\$9.1 million which primarily represented the Group's leased properties; (b) inventories of approximately HK\$37.8 million; (c) trade and other receivables of approximately HK\$50.1 million; and (d) cash and cash equivalents of approximately HK\$10.7 million. As at 30 June 2023, the Group had pledged bank deposits of approximately HK\$3.0 million to secure the Group's interest-bearing bank borrowings and cash and cash equivalents of approximately HK\$10.7 million. As the Group generally recorded net cash outflows in operating activities, investing activities and financing activities in recent years, the Group's cash and cash equivalents has decreased from approximately HK\$33.4 million as at 31 December 2021 to approximately HK\$10.7 million as at 30 June 2023.

LETTER FROM RAINBOW CAPITAL

As at 30 June 2023, total liabilities of the Group amounted to approximately HK\$83.7 million, which mainly included (a) trade and other payables of approximately HK\$22.6 million; (b) contract liabilities of approximately HK\$19.3 million; (c) interest-bearing bank borrowings of approximately HK\$11.2 million; and (d) lease liabilities of approximately HK\$21.9 million. The Group's interest-bearing bank borrowings included (a) short term bank loans of approximately HK\$1.0 million which were secured by a pledged bank deposit of approximately HK\$3.0 million and a corporate guarantee of approximately HK\$3.0 million from the Company; and (b) bank loan of approximately HK\$10.3 million which was secured by a personal guarantee executed by a director of the Company, interest bearing at fixed market rate of 10% and repayable in instalments over a period of 3 years.

As at 30 June 2023, the Group had net current assets of approximately HK\$44.7 million and equity attributable to the Shareholders of approximately HK\$52.1 million. Taking into account the Group's net current assets position as at 30 June 2023, the Group was in a generally healthy financial position although its cash and cash equivalents position were relatively thin as compared to the Group's level of interest-bearing bank borrowings.

(iii) Overall comments

As a result of the Group's efforts to develop and expand the UAE market, the financial performance of the Group has improved for 9M2023. With the ease of the COVID-19 pandemic restrictions and the re-open of the borders of Hong Kong and the PRC, it is expected that the retail market and second-hand property market in Hong Kong may gradually recover and have a favourable impact on the furniture retail market and thus the financial performance of the Group. Taking into account (a) that as the Group has been incurring loss attributable to the Shareholders for FY2021, FY2022 and 9M2023 and recorded net cash used in operating activities for FY2021 and 6M2023, it may take time for the potential growth in the furniture retail market to gradually improve the Group's financial performance. As such, the Group's financial performance may still be under pressure in the short run (e.g. before the 2024 AGM); and (b) the cash position of the Group as at 30 June 2023, which was relatively thin as compared to the Group's debt position as at 30 June 2023, we consider that the Company has a need to maintain flexibility to conduct fundraising in a timely manner to strengthen its cash position to fulfill any possible funding needs for general working capital and/or future business development which may arise at any time. Since the Existing General Mandate has been fully utilised and can only be renewed (if not refreshed now) at the 2024 AGM which is expected to be held in around May 2024, we consider that the Refreshment of General Mandate would provide the Company with an additional financing option to raise further capital for its business operation and development.

3. Reasons for the Refreshment of General Mandate

As advised by the management of the Group, as at the Latest Practicable Date, the Group's major funding needs are for general working capital in its ordinary and usual course of business and for potential business expansions and acquisitions of the Group. As a result of the July Placing and the September Placing, the Existing General Mandate has been fully utilised. It is expected that the next annual general meeting of the Company will be held in around May 2024 and the Company will no longer have the flexibility to raise further equity capital for general working capital of the Group and/or promptly meet fund raising opportunities for about five months. As such, the Board proposes to seek the approval from the Independent Shareholders to grant the New General Mandate at the EGM to allow the Company to capture any suitable fundraising opportunities in a timely manner to meet its major funding needs prior to the 2024 AGM.

As disclosed in the section headed "2. Background of the Group" above, the Group's cash and cash equivalents decreased from approximately HK\$33.4 million as at 31 December 2021 to approximately HK\$17.8 million as at 31 December 2022, and further decreased to approximately HK\$10.7 million as at 30 June 2023. Such decrease was mainly attributable to the Group's consecutive net losses for FY2022 and 6M2023. The Net Proceeds from the Listing received by the Company after deducting the underwriting commissions and fees and other listing related expenses amounted to approximately HK\$48.5 million. As advised by the management of the Group, approximately HK\$10.8 million have not been utilised as at the Latest Practicable Date which are intended to be fully utilised by the end of December 2024 for expanding the Group's retail network by opening additional retail stores in Hong Kong, the PRC and the relevant new recruitment and enhancing the Group's online shop and the Group's information technology capability. In addition, as disclosed in the section headed "5. Fund raising activities of the Company during the past 12 months" below, during the past twelve months immediately prior to the Latest Practicable Date, the Company had raised net proceeds of approximately HK\$32.8 million in aggregate from the February Placing, July Placing and September Placing. The net proceeds from the February Placing and September Placing have been fully utilised as intended as at the Latest Practicable Date for the Group's general working capital and the acquisition of a project management company as the Group expected a potential growth in demand of project management services for interior design and renovation in the coming years. On the other hand, the net proceeds from the July Placing have been partially utilised for general working capital and the acquisition of two companies with the remaining proceeds amounted to approximately HK\$5.3 million as at the Latest Practicable Date. The Group expects to utilise the remaining proceeds of HK\$5.3 million for possible merger and acquisition opportunities by early 2024. As at 30 November 2023, the Group had cash and cash equivalents of approximately HK\$26.9 million, which largely comprised of the remaining proceeds from the July Placing as well as the Net Proceeds from the Listing as detailed above. In other words, excluding the remaining proceeds from the July Placing and the Net Proceeds from the Listing, as at 30 November 2023, the Group had cash and cash equivalents of approximately HK\$10.8 million which are not restricted by the planned use (the "Free Cash").

LETTER FROM RAINBOW CAPITAL

As disclosed in the Letter from the Board, as COVID-19 pandemic restrictions have eased and the borders of Hong Kong and the PRC have opened since early 2023, the Hong Kong economy and property market have been gradually recovering and some of the local developers are taking more aggressive and price sensitive promotion strategy in stimulating the demands in local residential properties market. The Group has seized these opportunities and been working on the possible projects with some local developers involving supply of furniture package. The Group believes that there will be an increase in demand for the Group's furniture business with new and existing Hong Kong commercial and residential property owners or tenants seeking to decorate, refit or renovate their properties, and a potential growth in demand of project management services for interior design and renovation. As a result, the Board takes the view that it is important for the Group to maintain a stable and sufficient funding for general working capital purposes of the Group.

With the ease of COVID-19 pandemic restrictions and the re-open of the borders of Hong Kong and the PRC, market sentiment is gradually restoring and the Group notes that business activities, which have been suppressed for years due to the COVID-19 pandemic, have become more active recently. Accordingly, the Company has been exploring various business opportunities (i) to pick up and expand its existing business either by way of organic growth or acquisition of suitable project management company(ies) engaging in interior design and renovation services; and (ii) to diversify and broaden the income source of the Group, and actively negotiating with different business partners from time to time for possible collaboration. For business opportunities in connection with the expansion of the Group's existing business, while the Group will continue to expand its retail network and enhance the online shop by applying the Net Proceeds from the Listing, which have been designated for such usage, in light of the Company's recent effort in its business cooperation with the local property developers in Hong Kong, the Company will closely monitor the business environment in the PRC and UAE and may reallocate part of the Net Proceeds from the Listing for financing projects between the Group and local property developers which usually require upfront expenditure from the Group before generating any income. If any change of usage of the Net Proceeds from the Listing takes place, the Company will make further announcement(s) in accordance with the GEM Listing Rules. On the other hand, in addition to expanding its business by organic growth, the Group is looking for acquisition opportunities of suitable project management companies engaging in interior design and renovation services that can provide a synergy effect to the existing business of the Group. Although the Group has no concrete acquisition plan as at the Latest Practicable Date, the Directors take the view that the Refreshment of General Mandate can better prepare the Group to timely and promptly seize the acquisition opportunities whenever these opportunities arise, given the Net Proceeds from the Listing have designated usage and may not be readily used for such purpose.

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According to the Chief Executive's 2023 Policy Address, the public housing demand for the next 10 years is 308,000 units and the Hong Kong government will provide 172,000 public housing units in the next five years which is approximately 9% more than the 158,000 units in the previous five-period period. The government will also optimise the use of existing land to unleash development potential and release commercial and residential floor area. The sustained supply of newly constructed private residential units is expected to meet the housing demand within the community and subsequently drives the future demand for interior design and decoration services in Hong Kong. In addition, in order to accommodate the rapid urban growth and increasing population in Hong Kong, local property developers have actively purchased land sold by the Hong Kong government for residential and commercial uses. For example, in 2023, Sun Hung Kai Properties Limited has won a government tender for a commercial site on Mong Kok which could provide a gross floor area of approximately 1.52 million square feet of premium commercial spaces and transform into an office-and-retail landmark in Kowloon while a consortium led by Sino Land Company Limited has also won the tender for a residential plot in Hong Kong's Kai Tak area. As such, the continuous large-scale residential and commercial projects may ultimately translate into potential market opportunities and offer adequate market demand for interior design and decoration services in the coming years. Based on the factors above, we consider the Company's investment plan in suitable project management companies engaging in interior design and renovation services is reasonable.

Given the dynamic business environment, time is of the essence in terms of securing suitable investment and fundraising opportunities. Since a decision in respect of any fund-raising opportunities is often required to be made within a very short period of time and if the consideration required under the prospective investment opportunities is higher than the remaining proceeds of the July Placing and the Company's Free Cash as at 30 November 2023, we concur with the Directors that the Refreshment of General Mandate will allow the Company to have the flexibility to capture any suitable fund-raising opportunities in a timely manner that may arise before the 2024 AGM and create better return for the Shareholders.

In assessing whether the Company has an imminent need to refresh the Existing General Mandate now prior to the 2024 AGM which is expected to be approximately five months away from the date of the Circular, we have also obtained and reviewed (i) the 2023 Interim Report; (ii) the repayment schedule of the Group's existing bank loan; and (iii) the breakdown of the average monthly operating expenses of the Group for 6M2023. Based on our review and discussion with the management of the Group, we noted that the Group's liquidity would be under pressure in the short run based on the fact that (i) the Group only had Free Cash of approximately HK\$10.8 million as at 30 November 2023; (ii) the Group had obligations to pay approximately HK\$2.1 million in aggregate from December 2023 to May 2024 (i.e. prior to the 2024 AGM) in relation to its existing bank loan; (iii) the Group currently does not have any outstanding banking facilities; and (iv)

LETTER FROM RAINBOW CAPITAL

the estimated operating expenses of the Group of approximately HK\$54.0 million (i.e. approximately HK\$10.8 million per month) prior to the 2024 AGM. On this basis, we concur with the Directors that the Company has an imminent need to refresh the Existing General Mandate prior to the 2024 AGM, in order to (i) meet the bank loan repayment obligations of the Group; (ii) ease its liquidity pressure; and (iii) capture potential business expansions and acquisitions opportunities in a timely manner. Should suitable fundraising opportunities on favourable terms arise prior to the 2024 AGM, the Company can utilise the Existing General Mandate for the proposed equity financing and the proceeds from which may be used for the repayment of its short-term liabilities and/or general working capital. With reference to the 2023 Third Quarterly Report, the Group recorded gross profit of approximately HK\$28.2 million for the three months ended 30 September 2023, indicating a pro-rata gross profit of approximately HK\$56.4 million the Group may achieve prior to the 2024 AGM. Taking into account that (i) the pro-rate gross profit only represents the Group's earning potential but not a cash item, so that it takes time for the Group to receive cash payments from its customers; (ii) as discussed in the section headed "2. Background of the Group" above, the Group has recorded positive gross profit in each of FY2021, FY2022, 9M2022 and 9M2023, but all ended up net loss in each period; and (iii) although the Group has achieved positive gross profit in each of FY2021, FY2022 and 6M2023, it has recorded net decrease in cash and cash equivalents in each period end, in particular, it has recorded net cash used in operating activities in FY2021 and 6M2023, we are of the view that the Group has an imminent need to refresh the Existing General Mandate after taking into account the estimated gross profit generated from the Company's operating activities.

As stated in the section headed "2. Background of the Group" above, although with the ease of the COVID-19 pandemic restrictions and the re-open of the borders of Hong Kong and the PRC, the Group's financial performance may be expected to be positively impacted, taking into account that (i) as the Group has been incurring loss attributable to the Shareholders for FY2021, FY2022 and 9M2023, it may take time for the potential growth in the furniture retail market to significantly improve the Group's financial performance. As such, the Group's financial performance may still be under pressure in the short run (e.g. before the 2024 AGM); (ii) the Group's cash position of approximately HK\$10.7 million as at 30 June 2023 was relatively light as compared to its debt position; and (iii) the Group generally recorded net cash outflows in operating activities, investing activities and financing activities in recent years, we consider that having the fund-raising capability through the Refreshment of General Mandate is a prudent approach in maintaining the financial flexibility of the Group and therefore allowing the Group to maintain sufficient cash flow for the normal operation of the Group.

LETTER FROM RAINBOW CAPITAL

Taking into account (i) that the Existing General Mandate has been fully utilised as at the Latest Practicable Date; (ii) the existing financial resources of the Group; (iii) the Group's business strategy to explore various business opportunities to diversify and broaden its income source against the backdrop of re-open of the borders of Hong Kong and the PRC; (iv) the funding requirement for the Group's normal operation prior to the 2024 AGM which will be not held until about five months later; and (v) as discussed in the section headed "4. Other financing alternatives" below, issuance of new Shares under the general mandate can better control the completion risk and is more cost-effective and time-efficient than other financing alternatives and enable the Company to capture any capital raising and/or prospective investment opportunity in a more timely manner, we consider that the Refreshment of General Mandate would provide the Company with more financial flexibility and options to raise further capital for the operation of the Group without seeking further approval from the Shareholders, which is in the interests of the Company and the Shareholders as a whole. As at the Latest Practicable Date, the Company has no intention to further refresh the New General Mandate before the 2024 AGM.

4. Other financing alternatives

As set out in the Letter from the Board, the Directors have considered other financing alternatives apart from equity financing by issuance of new Shares under general mandate such as debt financing, rights issue, open offer, issuing shares under specific mandate or internal cash resources to meet the financial requirements of the Group, if appropriate, taking into consideration the then financial position, capital structure and flexibility of the Group as well as the prevailing market condition.

In respect of debt financing, it is considered that the debt financing may be subject to lengthy due diligence and negotiations and impose interest burden (especially under the recent upward trend of interest rates) on the Group. In addition, bank borrowings generally require the security of assets or properties while the Group does not have material assets suitable and available for pledging to secure substantial amount of bank borrowings. As such, it is not the optimal financial method under prevailing market conditions. Given the time to negotiate with the banks or other lenders and that further debt financing will incur additional interest burden on the Group, we consider debt financing to be comparatively costly, uncertain and time-consuming as compared to equity financing by issuance of new Shares under general mandate for the Group to obtain additional funding.

LETTER FROM RAINBOW CAPITAL

As regards to pre-emptive fundraising methods such as rights issue or open offer, the Directors consider that they may involve substantial time to complete as compared to equity financing by issuance of new Shares under general mandate. In particular, a rights issue or an open offer normally takes at least five to six weeks, and lengthy discussions with potential commercial underwriters may also be involved. If shareholders' approval is required, it may take over two months, which is primarily due to the time for the issuer to prepare a shareholder's circular and the notice period for the shareholders' meeting. Therefore, it would not allow the Company to satisfy its funding requirements in a timely manner if required. In our view, although both rights issue and open offer would allow the existing Shareholders to subscribe for their entitlements and maintain their respective pro-rata shareholdings in the Company, it may impose financial burden on the existing Shareholders in uncertain market conditions and the ultimate fund-raising size could not be assured by the Company if conducted on a non-underwritten basis. Even if the Company is successful in procuring an underwriter, the high underwriting commission will generally be a burden on the Group and may not be beneficial to the Company and the Shareholders as a whole. In addition, the discount to market price needed to be offered for subscription would have been higher for a rights issue or open offer, as compared to a share placement, so as to attract the Shareholder to further invest in the Company.

Furthermore, as compared to equity financing by issuance of new Shares under general mandate, issuing Shares under specific mandate would involve extra time from the finalisation of the relevant terms of the fundraising plan, the preparation, printing and despatch of the relevant circular and other documentations, as well as the holding and convening of extraordinary general meeting for each occasion of issue. As compared to obtaining specific mandate, equity financing by issuance of new Shares under general mandate would allow the Company to avoid the uncertainties in such circumstances where the approval for specific mandate may not be obtained in a timely manner.

The Directors have confirmed that they would exercise due and careful consideration when choosing the optimal financing method available to the Group to the best of their knowledge and belief. In addition, the Refreshment of General Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have flexibility and discretion in deciding the financing methods to capture any capital raising and/or prospective investment opportunity in a timely manner. As a result, we concur with the Directors that raising funds through issue of new Shares under the New General Mandate is more flexible, cost effective and time efficient than debt financing and other alternative equity financing methods.

LETTER FROM RAINBOW CAPITAL

5. Fund raising activities of the Company during the past 12 months

Set out below is the summary of equity fund raising activities of the Company during the past twelve months immediately prior to the Latest Practicable Date:

Date(s) of announcement	Fundraising activities	Net proceeds raised	Intended use of proceeds	Utilised/ allocated proceeds up to the Latest Practicable Date	Actual/allocated use of proceeds as at the Latest Practicable Date
9 January 2023 and 6 February 2023	Placing of new shares under general mandate	Approximately HK\$13.5 million	Possible merger and acquisition opportunities and general working capital of the Group	Fully utilised	(i) Approximately HK\$3.0 million for the acquisition of 75.02% interest in a project management company; and (ii) approximately HK\$10.5 million for administrative and operations
9 June 2023, 30 June 2023 and 27 July 2023	Placing of new shares under general mandate	Approximately HK\$17.59 million	Possible merger and acquisition opportunities and general working capital of the Group	Approximately HK\$12.29 million	(i) Approximately HK\$4.0 million for the acquisition of 6.7% interest in a jewelry design, production, retail and wholesale company; (ii) approximately HK\$5.2 million for the acquisition of 40% interest in an animal husbandry company; and (iii) approximately HK\$3.09 million for administrative and operations
30 August 2023, 13 September 2023 and 14 September 2023	Placing of new shares under general mandate	Approximately HK\$1.67 million	General working capital of the Group	Fully utilised	Approximately HK\$1.67 million for administrative and operations

Saved as disclosed above, the Directors confirmed that the Company had not conducted any other fund raising activities during the past twelve months immediately prior to the Latest Practicable Date.

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6. Potential dilution effect to the existing public Shareholders

The issue of new Shares under the New Generate Mandate would dilute the shareholding of the existing public Shareholders. The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) for illustrative purpose, upon full utilisation of the New General Mandate (assuming that no other Shares are issued and/or repurchased by the Company from the Latest Practicable Date up to and including the date of the EGM):

Name of Shareholders	As at the Latest Practicable Date		Upon full utilisation of the New General Mandate	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Non-public/Connected Persons				
Double Lions Limited (Notes 1, 2, 3 and 4)	41,450,000	21.81	41,450,000	18.17
Mr. Cheung Wai Keung	13,200,000	6.94	13,200,000	5.79
Century Great Investments Limited (Note 5)	<u>36,917,000</u>	<u>19.42</u>	<u>36,917,000</u>	<u>16.18</u>
Sub-total	91,567,000	48.17	91,567,000	40.14
Public Shareholders	98,513,000	51.83	98,513,000	43.19
Maximum number of Shares to be issued under the New General Mandate	<u>—</u>	<u>—</u>	<u>38,016,000</u>	<u>16.67</u>
Total	<u>190,080,000</u>	<u>100.00</u>	<u>228,096,000</u>	<u>100.00</u>

Notes:

- Double Lions Limited is owned as to 40.48% by Mr. John Warren McLennan, 20.00% by Ms. Tracy-Ann Fitzpatrick, 14.88% by Ms. Alison Siobhan Bailey, 14.88% by Mr. John Martin Rinderknecht and 9.76% by Mr. James Seymour Dickson Leach. Each of the Double Lions Shareholders executed the deed of acting in concert dated 12 February 2018 confirming the existence of their acting in concert and are deemed to be interested in all the Shares owned by Double Lions Limited.
- Mrs. Jennifer Carver McLennan is the spouse of Mr. John Warren McLennan and is deemed to be interested in the Shares held by Mr. John Warren McLennan by virtue of the SFO.
- Mr. David Frances Bulbeck is the spouse of Ms. Tracy-Ann Fitzpatrick and is deemed to be interested in the Shares held by Ms. Tracy-Ann Fitzpatrick by virtue of the SFO.

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4. Ms. Alison Siobhan Bailey and Mr. James Seymour Dickson Leach are married to each other and each of them is deemed to be interested in the Shares held by her/his spouse via Double Lions Limited by virtue of the SFO.
5. Century Great Investments Limited is 100% owned by Ms. Wong Wing Man, an executive Director of the Company.

As illustrated in the table above, assuming that no other Shares are issued and/or repurchased by the Company from the Latest Practicable Date up to and including the date of the EGM, the shareholding of the existing public Shareholders would be diluted from approximately 51.83% as at the Latest Practicable Date to approximately 43.19% upon full utilisation of the New General Mandate, representing a dilution effect of approximately 8.64%.

Although the New General Mandate will incur dilution effect on the shareholding of the existing public Shareholders, we concur with the view of the Directors that the potential dilution impact on the existing Shareholders to be acceptable as compared to pre-emptive fund raisings such as rights issue or open offer after taking into account that (i) the New General Mandate allows the Company to raise capital by allotment and issue of new Shares before the next annual general meeting of the Company; (ii) the New General Mandate will provide the Company with more financial flexibility and options to raise further capital for the operation and/or business expansion as the Company is able to capture fund-raising opportunities with favourable terms in a timely manner when they arise; (iii) the potential dilution impact on the existing public Shareholders may be even greater if the Shareholders choose not to subscribe for the shares under the right issue or open offer; (iv) the new Shares under the New General Mandate generally cannot be allotted and issued at more than 20% discount to market while the subscription price under a rights issue or open offer would normally be set at a greater discount to the market price; and (v) the issuance of new Shares under the New General Mandate is less time consuming and costly than using alternative financing methods and in particular that there is a lack of certainty in the successful implementation of a rights issue or open offer with their longer timetable.

In conducting any share placement to be made pursuant to the New General Mandate, the Directors would have a fiduciary duty to negotiate fair terms that are in the interest of the Company and the Shareholders as a whole. In deciding whether to use the New General Mandate, the Directors would take into account, among other things, the immediate funding needs of the Group, the time and cost involved, and the potential dilution of shareholding of the existing public Shareholders that may be brought by any share placement. In considering any proposed share issue, the Directors would also consider the pricing and availability of opportunities for other financing alternatives such as debt financing or internal resources, with the aim to achieve an efficient capital structure of the Company.

Based on the above and given the volatility of the capital market, we consider that the Refreshment of General Mandate is in the interest of the Company and the Shareholders as a whole as it would provide the Directors with the flexibility to capture any suitable equity fund raising opportunities that may arise from time to time in a timely manner.

LETTER FROM RAINBOW CAPITAL

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Refreshment of General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Refreshment of General Mandate.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.

NOTICE OF EGM

PACIFIC LEGEND GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8547)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Pacific Legend Group Limited (the “**Company**”) will be held at Units 1202–1204, Level 12, Cyberport 2, 100 Cyberport Road, Hong Kong on Monday, 8 January 2024 at 2:00 p.m. to consider and, if thought fit, pass with or without amendments, the following resolutions.

Unless otherwise indicated, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 22 December 2023 (the “**Circular**”).

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company (the “**Share(s)**”) and to make or grant offers, agreements and options (including bonds, warrants, debentures and other securities which carry rights to subscribe for or are convertible into the Shares) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants, debentures and other securities which carry rights to subscribe for or are convertible into the Shares) which would or might require the exercise of such power during or after the end of the Relevant Period (as hereinafter defined);
- (c) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (a) above otherwise than:
 - (i) a Rights Issue (as hereinafter defined); or
 - (ii) the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes or other securities issued by the Company which carry rights to subscribe for or are convertible into the Shares; or

NOTICE OF EGM

- (iii) an issue of Shares under any option scheme or similar arrangement for the grant or issue to the eligible participants under such option scheme or similar arrangement of Shares or rights to acquire the Shares; or
- (iv) an issue of Shares as scrip dividends pursuant to the articles of association of the Company,

from time to time shall not exceed 20% of the aggregate number of issued shares of the Company as at the date of passing this resolution and the said approval shall be limited accordingly; and

- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the time of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; or
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting; and

“**Rights Issue**” means an offer of the Shares open for a period fixed by the Directors to holders of the Shares (and, where appropriate, to holders of other securities of the Company entitled to the offer) on the register on a fixed record date in proportion to their then holdings of such Shares (or, where appropriate such other securities) as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any relevant jurisdiction).”

NOTICE OF EGM

2. “**THAT** conditional upon the resolution numbered 1 set out above being passed, the general and unconditional mandate granted to the Directors pursuant to the resolution numbered 1 above be and is hereby extended by the addition thereto of an amount representing the aggregate number of the Shares repurchased under the authority granted pursuant to resolution number 5 set out in the notice convening the annual general meeting of the Company dated 11 April 2023, provided that such amount shall not exceed 10% of the aggregate number of the issued shares as at the date of the annual general meeting of the Company held on 12 May 2023.”

By order of the Board
Pacific Legend Group Limited
Shawlain Ahmin
Executive Director

Hong Kong, 22 December 2023

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Units 1202–04, Level 12
Cyberport 2
100 Cyberport Road
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if such member is the holder of two or more shares) to attend and to vote instead of them. A proxy need not be a member of the Company.
2. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
3. A form of proxy for use at the meeting is enclosed.
4. Any voting at the EGM shall be taken by poll.
5. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the meeting (i.e. no later than 2:00 p.m. on Saturday, 6 January 2024) or any adjournment thereof. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or any adjournment thereof.

NOTICE OF EGM

6. The register of members of the Company will be closed from Wednesday, 3 January 2024 to Monday, 8 January 2024, both days inclusive, in order to determine the eligibility of Shareholders to attend the above meeting, during which period no share transfers will be registered. To be eligible to attend and vote at the above meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not later than 4:00 p.m. on Tuesday, 2 January 2024.
7. If typhoon signal No. 8 or above, a "black" rainstorm warning or "extreme conditions after super typhoons" announced by the Government of Hong Kong is/are in effect/hoisted any time after 11:00 a.m. on the date of the meeting, the meeting will be postponed. The Company will post an announcement on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.pacificlegendgroup.com to notify Shareholders of the date, time and place of the rescheduled meeting.