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LEGENDARY GROUP LIMITED

創天傳承集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8195)

**SHARE TRANSACTION IN RELATION TO
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY
INVOLVING ISSUE OF CONSIDERATION SHARES
UNDER GENERAL MANDATE**

THE ACQUISITION

The Board is pleased to announce that on 20 September 2021 (after trading hours), the Company, the Purchaser and the Vendor entered into the Agreement, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share at the Consideration of HK\$9,000,000.

Subject to the Adjustments, the Consideration shall be settled (i) as to HK\$5 million by the allotment and issue of the Consideration Shares at the Issue Price of HK\$0.257 under the General Mandate; (ii) as to HK\$3 million by cash; and (iii) as to HK\$1 million by the assumption of the Assumed Liabilities by the Purchaser.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the accounts of the Group.

LISTING RULES IMPLICATIONS

All the applicable percentage ratios in respect of the Acquisition are less than 5%. However, as part of the Consideration will be satisfied by the allotment and issuance of the Consideration Shares, the Acquisition constitutes a share transaction and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

Shareholders and potential investors should note that the Acquisition contemplated under the Agreement is subject to satisfaction of certain conditions precedent and it may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

THE ACQUISITION

Reference is made to the announcement of the Company dated 24 May 2021 regarding the MOU.

The Board is pleased to announce that on 20 September 2021 (after trading hours), the Company, the Purchaser and the Vendor entered into the Agreement, pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share at the Consideration of HK\$9,000,000.

THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

20 September 2021 (after trading hours)

Parties

- (i) the Vendor;
- (ii) the Purchaser; and
- (iii) the Company. (collectively, the “**Parties**”)

The Vendor is a merchant and has over 10 years of experience in the insurance and coaching industry. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

The Sale Share, representing the entire issued share capital of the Target Company.

Consideration

The Consideration of HK\$9,000,000 (subject to the Adjustments) shall be satisfied by the Purchaser by four instalments according to the following schedule:

- (i) First instalment in the sum of HK\$2,000,000 will be satisfied upon Completion in the following manner:
 - (a) as to HK\$1,000,000 by cash; and
 - (b) as to HK\$1,000,000 by the assumption of the Assumed Liabilities by the Purchaser.
- (ii) Second instalment in the sum of HK\$3,000,000 (subject to the Adjustments) will be satisfied within 14 Business Days upon issuance of the Audited Report for the year ending 31 March 2022 in the following manner:
 - (a) as to HK\$1,000,000 (subject to the Adjustments) in cash (the “**Cash Consideration A**”); and
 - (b) as to HK\$2,000,000 (subject to the Adjustments) by way of the allotment and issue of 7,782,101 Consideration Shares at the Issue Price of HK\$0.257 per Consideration Share by the Purchaser to the Vendor (or its nominee(s)) (the “**Consideration Shares A**”).
- (iii) Third instalment in the sum of HK\$3,000,000 (subject to the Adjustments) will be satisfied within 14 Business Days upon issuance of the Audited Report for the year ending 31 March 2023 in the following manner:
 - (a) as to HK\$1,000,000 (subject to the Adjustments) in cash (the “**Cash Consideration B**”); and
 - (b) as to HK\$2,000,000 (subject to the Adjustments) by way of the allotment and issue of 7,782,101 Consideration Shares at the Issue Price of HK\$0.257 per Consideration Share by the Purchaser to the Vendor (of its nominee(s)) (the “**Consideration Shares B**”).
- (iv) Fourth instalment in the sum of HK\$1,000,000 (subject to the Adjustments) will be satisfied by way of the allotment and issue of 3,891,050 Consideration Shares at the Issue Price of HK\$0.257 per Consideration Share by the Purchaser to the Vendor (of its nominee(s)) within 14 Business Days upon issuance of the Audited Report for the year ending 31 March 2024 (the “**Consideration Shares C**”).

The Assumed Liabilities is the amount due from the sole director of KargoStudio (i.e. the Vendor) and is unsecured, interest-free and repayable on demand. The balance of the Assumed Liabilities is not subject to further changes from the date of Agreement to the Completion Date.

The Consideration was arrived at based on normal commercial terms after arm's length negotiations between the Purchaser and the Vendor and was determined with reference to among others, (i) the valuation of 100% equity interest of KargoStudio of HK\$10,800,000 as at 25 August 2021 (the "**Valuation**") prepared by an independent valuer based on market approach; (ii) the Guaranteed Profits (as defined below) given by the Vendor; and (iii) the reasons for and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" below.

The Consideration represents a discount of approximately 16.7% to the Valuation.

In view of the above, the Directors consider that the Consideration is fair and reasonable.

Profit guarantee and the Adjustments

Pursuant to the Agreement, the Vendor irrevocably and unconditionally guarantees to the Purchaser that the Actual Net Profits for each of the three years ending 31 March 2022, 2023 and 2024 shall be no less than HK\$2,000,000 (the "**Guaranteed Profit(s)**").

For the year ending 31 March 2022

In the event that the Actual Net Profit for the year ending 31 March 2022 is less than the Guaranteed Profit for that year, the Cash Consideration A and the Consideration Shares A shall be adjusted in the following manner:

(i) Cash Consideration A

The amount of the Cash Consideration A to be paid by the Purchaser shall be adjusted as follows:

$$\begin{array}{l} \text{Adjusted Cash} \\ \text{Consideration A} \end{array} = \frac{(\text{Actual Net Profit for 2022} \div \text{Guarantee Profit for 2022})}{\times \text{Cash Consideration A}}$$

(ii) Consideration Shares A

The number of the Consideration Shares A to be issued shall be adjusted as follows:

$$\begin{array}{l} \text{Adjusted Consideration} \\ \text{Shares A} \end{array} = \frac{(\text{Actual Net Profit for 2022} \div \text{Guarantee Profit for 2022})}{\times \text{Consideration Shares A}}$$

If KargoStudio records net loss for the financial year ending 31 March 2022, the Actual Net Profit for 2022 shall be deemed to be zero (0). No upward adjustment will be made to the amount of the Cash Consideration A and the number of the Consideration Shares A, even if the Actual Net Profit exceeds the Guaranteed Profit for the year ending 31 March 2022.

For the year ending 31 March 2023

In the event that the Actual Net Profit for the year ending 31 March 2023 is less than the Guaranteed Profit for that year, the Cash Consideration B and the Consideration Shares B shall be adjusted in the following manner:

(i) Cash Consideration B

The amount of the Cash Consideration B to be paid by the Purchaser shall be adjusted as follows:

$$\begin{array}{l} \text{Adjusted Cash} \\ \text{Consideration B} \end{array} = \frac{(\text{Actual Net Profit for 2023} \div \text{Guarantee Profit for 2023})}{\times \text{Cash Consideration B}}$$

(ii) Consideration Shares B

The number of the Consideration Shares B to be issued shall be adjusted as follows:

$$\begin{array}{l} \text{Adjusted Consideration} \\ \text{Shares B} \end{array} = \frac{(\text{Actual Net Profit for 2023} \div \text{Guarantee Profit for 2023})}{\times \text{Consideration Shares B}}$$

If KargoStudio records net loss for the financial year ending 31 March 2023, the Actual Net Profit shall be deemed to be zero (0). No upward adjustment will be made to the amount of the Cash Consideration B and the number of the Consideration Shares B, even if the Actual Net Profit exceeds the Guaranteed Profit for the year ending 31 March 2023.

For the year ending 31 March 2024

In the event that the Actual Net Profits for the financial year ending 31 March 2024 is less than the Guaranteed Profits for that year, the Consideration Shares C shall be adjusted in the following manner:

(i) Consideration Shares C

The number of the Consideration Shares C to be issued shall be adjusted as follows:

$$\begin{array}{l} \text{Adjusted Consideration} \\ \text{Shares C} \end{array} = \frac{(\text{Actual Net Profit for 2024} \div \text{Guarantee Profit for 2024})}{\times \text{Consideration Shares C}}$$

If KargoStudio records net loss for the financial year ending 31 March 2024, the Actual Net Profit shall be deemed to be zero (0). No upward adjustment will be made to the amount of the number of the Consideration Shares C, even if the Actual Net Profit exceeds the Guaranteed Profit for the year ending 31 March 2024.

The respective Actual Net Profits shall be determined according to the Audited Report for each of the three financial years ending 31 March 2022, 2023 and 2024, which shall be reported by the auditor nominated by the Purchaser within four months after the said period or any other date as agreed by the Vendor and the Purchaser. The cost of appointing such auditor will be borne by the Purchaser.

Conditions precedent

Completion shall be conditional upon and subject to:

- (a) the completion of the due diligence review and investigation on the Target Group (which includes but not limited to, the legal and financial due diligence review) conducted by the Purchaser to its reasonable satisfaction;
- (b) the Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Consideration Shares;
- (c) all necessary consents, authorisations, approval, licence, permission, order (or, as the case may be, relevant waiver or exemption) in connection with the Agreement and the transactions contemplated thereby having been obtained by the respective Parties (including but not limited to, the necessary consent from the Stock Exchange and banks); and
- (d) the representations, warranties and undertakings provided by the Vendor set out in the Agreement remaining true, accurate and not misleading in any respect at Completion as if repeated at Completion and at all times between the date of the Agreement and Completion.

As at the date of this announcement, no condition precedent has been fulfilled or waived. The Purchaser may waive the conditions precedent (a) and (d) at its discretion. If the conditions precedent have not been satisfied (or, as the case may be, waived by the Purchaser) on or before 2:00 p.m. on the Long Stop Date, the Purchaser shall not be bound to proceed with the purchase of the Sale Share and the Agreement (other than the survival clause(s)) shall from the Long Stop Date, become void and of no further effect and, save in respect of any antecedent breaches, all liabilities and obligations of the Parties shall cease and determine provided that such termination shall be without prejudice to any rights or remedies of the parties thereto which shall have accrued prior to such termination.

Completion

Completion shall take place at 2:00 p.m. on the Completion Date after all the conditions of the Agreement have been fulfilled (or waived as the case may be) or such date as the Parties may agree in writing. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the accounts of the Group.

THE CONSIDERATION SHARES

The Issue Price of HK\$0.257 per Consideration Share represents:

- (i) a discount of approximately 3.0% to the closing price of HK\$0.265 per Share as quoted on the Stock Exchange on the date of the Agreement;
- (ii) a discount of approximately 6.2% to the average closing price of HK\$0.274 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the date of the Agreement; and
- (iii) a discount of approximately 13.2% to the average closing price of HK\$0.296 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of the Agreement

The Issue Price was arrived at after arm's length negotiations among the Purchaser, the Company and the Vendor with reference to the prevailing market price of the Shares and the current market conditions. The Directors consider the Issue Price is fair and reasonable.

Assuming no adjustment to the Consideration, the Consideration Shares comprise 19,455,252 Shares, representing (i) approximately 1.09% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 1.07% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares assuming that no further change in the share capital of the Company since the date of this announcement.

The Consideration Shares will be allotted and issued under the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 356,456,059 Shares. As at the date of this announcement, no Share has been issued and allotted under the General Mandate. Accordingly, the issue of the Consideration Shares is within the limit of the General Mandate and is not subject to any approval by the Shareholders.

The Consideration Shares, when issued, shall be credited as fully paid and rank *pari passu* in all respects with the existing Shares in issue on the date of allotment and issue of the relevant portion of Consideration Shares. There will be no restriction on the subsequent sale of the Consideration Shares.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares to be issued on the Stock Exchange.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the issue and allotment of the Consideration Shares in full:

Shareholders	As at the date of this announcement		Immediately after the issue and allotment of the Consideration Shares in full	
	Number of Shares	Approximate % (Note 2)	Number of Shares	Approximate % (Note 2)
Poon Chi Ming	246,296,296	13.74	246,296,296	13.59
Lau Lan Ying & Wong Kwan Mo (Note 1)	222,250,000	12.40	222,250,000	12.28
Vendor	–	–	19,455,252	1.07
Other public Shareholders	<u>1,323,734,000</u>	<u>73.86</u>	<u>1,323,734,000</u>	<u>73.06</u>
Total	<u><u>1,792,280,296</u></u>	<u><u>100.00</u></u>	<u><u>1,811,735,548</u></u>	<u><u>100.00</u></u>

Notes:

- 199,629,000 Shares are owned by Strong Light Investments Limited. Strong Light Investments Limited is a company incorporated in Hong Kong. The entire issued share capital of Strong Light Investments Limited is owned as to 50% by Lau Lan Ying and 50% by Wong Kwan Mo. Lau Lan Ying is the spouse of Wong Kwan Mo. As such, Lau Lan Ying is deemed to be interested in all the Shares owned by Strong Light Investments Limited and Wong Kwan Mo.
- Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

INFORMATION OF TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability whose principal business activity is investment holding. KargoStuido is a company incorporated in Hong Kong with limited liability. The Target Group, through KargoStudio, is principally engaged in holding development and training programs (the “**Training Programs**”) with an aim to enhance selling techniques and communication skills of the customers. The Training Programs are specifically designed for the insurance brokers and agents, who wish to enhance their sales performance and customer relationships.

The Vendor serves as the chief executive of the Training Programs, which include various sessions such as customized case studies and personal consultation, etc..

The revenue of the Target Group mainly represents the income derived from the Training Programs. Customers will generally prepay the fees for the Training Programs upon enrolment.

Financial information of the Target Group

As the Target Company is newly incorporated in April 2021, no financial information for each of the years ended 31 March 2020 and 2021 on the Target Company is presented in this announcement. The Target Company has no business operation since incorporation other than being the sole investment holding company of KargoStudio. The registered capital of the Target Company is US\$1 (equivalent to approximately HK\$7.8).

Set out below is a summary of certain financial information of KargoStudio, being the operating entity of the Target Group, extracted from its audited financial statements for the period from 24 May 2019 (date of incorporation) to 31 March 2020 and unaudited financial statements for the financial year ended 31 March 2021:

	For the period from 24 May 2019 to 31 March 2020 (audited) HK\$'000	For the year ended 31 March 2021 (unaudited) HK\$'000
Revenue	511	2,461
Net profit before taxation	202	1,383
Net profit after taxation	202	1,269

According to the unaudited management accounts of KargoStudio, it recorded net assets of approximately HK\$1.5 million as at 31 March 2021.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. The Group is principally engaged in (i) provision of financial quotient and investment education courses (the “**Investment Education Business**”); (ii) the manufacturing and sales of OEM garment products; (iii) money lending; (iv) retailing of garment products under the Group’s own brand and high-end fashion brand; and (v) property investment.

As disclosed in the annual report of the Company for the year ended 31 March 2021, the segment revenue of the Investment Education Business has recorded drastic growth from approximately HK\$312,000 for the financial year ended 31 March 2020 to approximately HK\$68.1 million for the financial year ended 31 March 2021. The Board is encouraged by the positive performance of the Investment Education Business. As such, the Company has been actively seeking opportunities for expanding the Investment Education Business so as to maximize the return for the Shareholders.

The Target Group is dedicated to delivering training programs to equip the customers with selling and communication skill. The Directors consider that the Acquisition will be beneficial to the Group to further expand the business scope and revenue stream of the Investment Education Business and is in line with the business development strategy of the Group. Upon Completion, the financial results of the Target Group will be consolidated into the financial statements of the Company. Since KargoStudio has recorded profits for the period ended 31 March 2020 and year ended 31 March 2021, the Directors believe that the Target Group will contribute positively to the financial performance of the Group.

Besides, as the majority of the Consideration will be satisfied by allotment and issue of the Consideration Shares, immediate cash flow burden of the Group will be reduced. Also, the Guaranteed Profits and the adjustment mechanism for the Consideration will provide adequate protection to the Group regarding the risk of KargoStudio not sustaining its initial performance and growth.

Base on the foregoing, the Directors consider that the terms of the Acquisition are fair and reasonable, on normal commercial terms and the Acquisition is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

All the applicable percentage ratios in respect of the Acquisition are less than 5%. However, as part of the Consideration will be satisfied by the allotment and issuance of the Consideration Shares, the Acquisition constitutes a share transaction and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context specifies otherwise, the following defined expressions have the following meanings:

“Acquisition”	the proposed acquisition of the Sale Share pursuant to the terms and conditions of the Agreement
“Actual Net Profit(s)”	the audited net profit after tax of KargoStudio as shown on the Audited Report
“Adjustment(s)”	the downward adjustment(s) to be made to the Consideration for the Acquisition, as detailed in the paragraph headed “Profit guarantee and the Adjustments” in this announcement
“Agreement”	the sale and purchase agreement dated 20 September 2021 entered into among the Company, the Purchaser and the Vendor in relation to the Acquisition

“Assumed Liabilities”	the aggregate amount for which the Vendor is indebted to KargoStudio to be assumed by the Purchaser as part of the Consideration upon Completion, the outstanding amount is HK\$1,000,000 as at the date of the Agreement
“Audited Report”	the audited report on the financial statements of KargoStudio prepared by an independent auditor in accordance with HKFRS
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Legendary Group Limited (創天傳承集團有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM (Stock Code: 8195)
“Completion”	the completion of the Acquisition in accordance with the Agreement
“Completion Date”	the third Business Day after all the conditions precedent to the Agreement have been fulfilled or waived (or any other date as agreed by the Vendor and the Purchaser)
“Consideration”	the consideration for the Acquisition, being HK\$9,000,000
“Consideration Share(s)”	19,455,252 new Share(s) to be allotted and issued by the Company at the Issue Price for partial settlement of the Consideration
“Director(s)”	the director(s) of the Company
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 30 July 2021, among other things, to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of such annual general meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons (having the meaning ascribed to it under the GEM Listing Rules)
“Issue Price”	HK\$0.257 per Consideration Share
“KargoStudio”	KargoStudio Limited, a company incorporated in Hong Kong with limited liability, and a direct wholly-owned subsidiary of the Target Company, being the operating entity of the Target Group
“Listing Committee”	has the meaning as defined in the GEM Listing Rules
“Long Stop Date”	29 October 2021 or such later date as the Vendor and the Purchaser may agree in writing
“MOU”	the memorandum of understanding entered into between the Vendor and the Purchaser on 24 May 2021 in relation to the possible acquisition of the Sale Share
“Purchaser”	Able Glorious Limited, a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of the Company
“Sale Share”	1 ordinary share of the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) with par value of HK\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	KC Training Company Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by the Vendor immediately prior to Completion
“Target Group”	the Target Company and KargoStudio

“Vendor” Mr. Chung Kar Ho Carol

“%” per cent.

By order of the Board
Legendary Group Limited
Yuen Yu Sum
Chairman and executive Director

Hong Kong, 20 September 2021

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Yuen Yu Sum (Chairman), Mr. Lau Chun Kavan and Mr. Chan Lap Jin Kevin; one non-executive Director, namely, Mr. Law Wing Chung; and four independent non-executive Directors, namely, Mr. Chung Chin Kwan, Mr. Chan Kim Fai Eddie, Mr. Ng Chi Ho Dennis and Mr. Chung Kwok Pan.

This announcement, 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 announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the website of the Company at <http://www.lna.com.hk>.