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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)**

**DISCLOSEABLE TRANSACTION  
IN RELATION TO  
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF  
THE TARGET COMPANY  
AND  
CONTINUED SUSPENSION OF TRADING**

**THE ACQUISITION**

The Board is pleased to announce that on 31 March 2022, the Purchaser, the Company and the Vendor entered into the Agreement, pursuant to which, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Share at the Consideration of HK\$40,000,000, which will be satisfied by cash, assumption of the Assumed Liabilities and the issue of the Promissory Notes to the Vendor in four instalments. The Consideration shall be subject to adjustments under the section headed “Profit guarantee and the Adjustments”.

Completion of the Acquisition has taken place simultaneously upon signing of the Agreement. Upon Completion, the Group is interested in the entire issued share capital of the Target Company. Accordingly, the Target Company becomes an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the accounts of the Company.

## **GEM LISTING RULES IMPLICATIONS**

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

## **INTRODUCTION**

The Board is pleased to announce that on 31 March 2022, the Purchaser, the Company and the Vendor entered into the Agreement, pursuant to which, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Share at the Consideration of HK\$40,000,000, which will be satisfied by cash, assumption of the Assumed Liabilities and the issue of the Promissory Notes to the Vendor in four instalments. The Consideration shall be subject to adjustments under the section headed "Profit guarantee and the Adjustments".

## **THE AGREEMENT**

The principal terms of the Agreement are set out below:

### **Date**

31 March 2022

### **Parties**

- (i) the Vendor (as vendor);
- (ii) the Purchaser (as purchaser); and
- (iii) the Company.

The Vendor is an entrepreneur, as well as the founder and lead course instructor of Bingo Solution. 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\$40,000,000 shall be satisfied by the Company in the following manner:

- (i) First instalment in the sum of HK\$7,000,000 has been satisfied in the following manner upon signing of the Agreement:
  - (a) as to HK\$6,000,000 in cash;
  - (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\$6,000,000 (subject to the Adjustments) will be satisfied within 14 Business Days upon issue of the Audited Report for FY2023 by issue of the Promissory Note A to the Vendor (or its nominee(s));
- (iii) Third instalment in the sum of HK\$9,000,000 (subject to the Adjustments) will be satisfied within 14 Business Days upon issue of the Audited Report for FY2024 by issue of the Promissory Note B to the Vendor (or its nominee(s)); and
- (iv) Fourth instalment in the sum of HK\$18,000,000 (subject to the Adjustments) will be satisfied within 14 Business Days upon issue of the Audited Report for FY2025 by issue of the Promissory Note C to the Vendor (or its nominee(s)).

Principal terms of the Promissory Notes are set out in the section headed “THE PROMISSORY NOTES” below.

The Consideration was arrived at based on normal commercial terms after arm’s length negotiations among the Purchaser, the Company and the Vendor and was determined with reference to among others, (i) the valuation of 100% equity interest of Bingo Solution (being the operating entity of the Target Group) of HK\$43,000,000 as at 31 December 2021 (the “**Valuation**”) prepared by an independent valuer based on market approach; (ii) the profit guarantee provided by the Vendor (details are set out in the section headed “Profit guarantee and the Adjustments” below); 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 7.0% to the Valuation.

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

## **Profit guarantee and the Adjustments**

The Vendor irrevocably and unconditionally guarantees to the Purchaser that the Actual Profits for each of FY2023, FY2024 and FY2025 shall be no less than HK\$5,000,000, HK\$8,000,000 and HK\$11,000,000 respectively (the “**Guaranteed Profit(s)**”). The Consideration shall be subject to the downward adjustment(s) in the following manner:

### **(i) FY2023**

In the event that the Actual Profit for FY2023 is less than the Guaranteed Profit for that year, the principal amount of the Promissory Note A shall be adjusted in the following manner:

$$\begin{array}{l} \text{Adjusted principal amount} \\ \text{of the Promissory Note A} \end{array} = \frac{(\text{Actual Profit for FY2023} \div \text{Guaranteed Profit for FY2023}) \times}{\text{unadjusted principal amount of the Promissory Note A}}$$

If Bingo Solution records net loss for FY2023, the Actual Profit shall be deemed to be zero (0). No upward adjustment will be made to the principal amount of the Promissory Note A, even if the Actual Profit exceeds the Guaranteed Profit for FY2023.

### **(ii) FY2024**

In the event that the Actual Profit for FY2024 is less than the Guaranteed Profit for that year, the principal amount of the Promissory Note B shall be adjusted in the following manner:

$$\begin{array}{l} \text{Adjusted principal amount} \\ \text{of the Promissory Note B} \end{array} = \frac{(\text{Actual Profit for FY2024} \div \text{Guaranteed Profit for FY2024}) \times}{\text{unadjusted principal amount of the Promissory Note B}}$$

If Bingo Solution records net loss for FY2024, the Actual Profit shall be deemed to be zero (0). No upward adjustment will be made to the principal amount of the Promissory Note B, even if the Actual Profit exceeds the Guaranteed Profit for FY2024.

### **(iii) FY2025**

In the event that the Actual Profit for FY2025 is less than the Guaranteed Profit for that year, the principal amount of the Promissory Note C shall be adjusted in the following manner:

$$\begin{array}{l} \text{Adjusted principal amount} \\ \text{of the Promissory Note C} \end{array} = \frac{(\text{Actual Profit for FY2025} \div \text{Guaranteed Profit for FY2025}) \times}{\text{unadjusted principal amount of the Promissory Note C}}$$

If Bingo Solution records net loss for FY2025, the Actual Profit shall be deemed to be zero (0). No upward adjustment will be made to the principal amount of the Promissory Note C, even if the Actual Profit exceeds the Guaranteed Profit for FY2025.

## Completion

Completion of the Acquisition has taken place simultaneously upon signing of the Agreement. Upon Completion, the Group is interested in the entire issued share capital of the Target Company. Accordingly, the Target Company becomes an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the accounts of the Company.

## Non-compete undertaking

For the benefit of the Target Group and the Company, the Vendor undertakes, within the period of three years from the Completion, not to engage in or cause any third parties to engage in the same or similar kinds of business the Target Group is carrying on as of the completion date (i.e. 31 March 2022).

## THE PROMISSORY NOTES

Set out below are the principal terms of the Promissory Notes:

<b>Issuer:</b>	The Company
<b>Principal amount:</b>	(i) Promissory Note A: HK\$6,000,000 (ii) Promissory Note B: HK\$9,000,000 (iii) Promissory Note C: HK\$18,000,000
<b>Interest:</b>	5% per annum from the date of issue of the Promissory Notes
<b>Maturity:</b>	Three years from the date of issue of the Promissory Notes (the “ <b>Maturity Date(s)</b> ”)
<b>Transferability:</b>	The Promissory Notes may only be transferable and assignable by the Vendor to any other person with prior written approval of the Company
<b>Early repayment:</b>	The Company may pay to the Vendor prior to the Maturity Date(s) all or part of outstanding principal amount (together with the outstanding accrued interests) of the Promissory Notes

## INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in BVI with limited liability whose principal business activity is investment holding. Bingo Solution, being the operating subsidiary wholly owned by the Target Company, is principally engaged in provision of financial quotient and investment experience-sharing courses in Hong Kong.

The Vendor is the founder and the lead course instructor of Bingo Solution. He has over ten years of experience in his career across investment advisory and private equity. In 2018, the Vendor was awarded 全球華人傑出青年 (Global Outstanding Chinese Youth\*) by the Global Outstanding Chinese Association.

With the objective of helping individual customers to deepen and upskill their knowledge of personal wealth management, Bingo Solution organizes regular courses covering array of investment topics, such as, securities technical analysis, securities trend analysis, value investing and property investment.

Since its commencement of operations in April 2021, Bingo Solution has offered four intakes of regular courses and achieved a continuous growth in the enrollment number. Bingo Solution also maintains a healthy operating cashflow as the enrollment fee for the courses are prepaid by its customers.

## FINANCIAL INFORMATION OF THE TARGET GROUP

No audited financial statements have been prepared by the Target Company as there is no statutory audit requirement under the relevant rules and regulations in BVI.

Set out below is the unaudited financial information of Bingo Solution, being the operating entity of the Target Group, for the period from 26 May 2020 (the date of incorporation) to 31 March 2021 and for the nine months ended 31 December 2021:

	<b>For the nine months ended 31 December 2021</b> (unaudited) <i>HK\$'000</i>	<b>For the period from 26 May 2020 (date of incorporation) to 31 March 2021</b> (unaudited) <i>HK\$'000</i>
Net profit/(loss) before taxation	3,624	(409)
Net profit/(loss) after taxation	3,026	(409)

According to its unaudited financial information, Bingo Solution registered net assets of approximately HK\$2.6 million as at 31 December 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) provision of private supplementary education services; (iii) the manufacturing and sales of OEM garment products; (iv) money lending; (v) retailing of garment products under the Group’s own brand and high-end fashion brand; and (vi) property investment.

The Group commenced the Investment Education Business in 2019. It provides financial quotient and investment education courses for customers desiring for enhancing their knowledge in the areas of finance and investment. As disclosed in the interim report of the Company for the six months ended 30 September 2021, the Investment Education Business has become the largest revenue and profit contributor amongst all business segments of the Group. In view of the fast-growing financial performance of the Investment Education Business, it is the intention of the Group to invest more resources to broaden its market share and customer base.

The Target Group possesses a growing customer base from different age groups with diverse backgrounds. The Acquisition will be complementary to the Group's existing operation and business layout, consolidate its existing advantageous position and accelerate the Company's development. The Directors also expect that the Acquisition will create synergy effect to the existing business lines to the extent that allow the Group to conduct cross-selling and cross-marketing exercises for other investment courses currently offered by the Group.

The Target Group commenced its operations in April 2021, amid the outbreak of COVID-19. Nevertheless, the Target Group has been operating at a growing scale and registered net profit under the unfavourable market condition. The Company believes that the COVID-19 pandemic will be under control along with the increasing vaccination rate, suggesting the hurdle of social distancing will be eased off and the full business potential of the Target Group will be eventually unleashed. In view of the above, the Directors hold a positive view towards the future profitability and business potential of the Target Group.

As the majority of the Consideration will be satisfied by the issue of Promissory Notes, immediate cashflow burden of the Group will be vastly reduced. Having taken into account that the Consideration is linked to the profit guarantees provided by the Vendor for the coming three financial years ending 31 March 2025, the Directors consider that the terms of the Consideration will be able to provide a sufficient commercial incentive for the key management of Bingo Solution to achieve the financial targets and, if the Guaranteed Profits are fulfilled, the Acquisition will bring positive contribution to the Group. Besides, the adjustment mechanism to the Consideration will reduce the Consideration in the event of any shortfall between the Guaranteed Profits and the Actual Profits, and hence will effectively provide extra protection to the Group regarding the risk of the Target Group not sustaining its initial financial performance and growth.

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

## **GEM LISTING RULES IMPLICATIONS**

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

## **CONTINUED SUSPENSION OF TRADING**

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 19 October 2021, and will remain suspended until further notice.

## **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 Profit(s)”	the audited net profit(s) after tax of Bingo Solution as shown on the Audited Report(s)
“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 31 March 2022 entered into among the Purchaser, the Company and the Vendor in relation to the Acquisition
“Assumed Liabilities”	the aggregate amount for which the Vendor is indebted to the Target Group 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(s)”	the audited report(s) on the financial statements of Bingo Solution prepared by an independent auditor in accordance with HKFRS



“Bingo Solution”	Bingo Solution 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
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	Legendary Group Limited (創天傳承集團有限公司), a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on GEM (Stock Code: 8195)
“Completion”	completion of the sale and purchase of the Sale Share in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Consideration”	the consideration for the Acquisition, being HK\$40,000,000 (subject to the Adjustments)
“Director(s)”	the director(s) of the Company
“FY2023”	the financial year ending 31 March 2023
“FY2024”	the financial year ending 31 March 2024
“FY2025”	the financial year ending 31 March 2025
“GEM”	the 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

“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
“Promissory Notes”	collectively, the Promissory Note A, Promissory Note B and Promissory Note C
“Promissory Note A”	the promissory note with a principal amount of HK\$6,000,000 to be issued by the Company to the Vendor (or its nominee(s)) upon issue of the FY2023 Audited Report, subject to the Adjustments
“Promissory Note B”	the promissory note with a principal amount of HK\$9,000,000 to be issued by the Company to the Vendor (or its nominee(s)) upon issue of the FY2024 Audited Report, subject to the Adjustments
“Promissory Note C”	the promissory note with a principal amount of HK\$18,000,000 to be issued by the Company to the Vendor (or its nominee(s)) upon issue of the FY2025 Audited Report, subject to the Adjustments
“Purchaser”	Able Glorious Limited, a company incorporated in the BVI 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\$0.0005 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”	Brilliant Ever Global Limited, a company incorporated in BVI with limited liability, which was wholly owned by the Vendor immediately prior to Completion

“Target Group”	the Target Company and Bingo Solution
“Vendor”	Mr. Leung Yu Hang, being the beneficial owner of the Sale Share immediately prior to the Completion
“%”	per cent.

\* For identification only

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

Hong Kong, 31 March 2022

*As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Yuen Yu Sum (Chairman) and Mr. Chan Lap Jin Kevin; one non-executive Director, namely, Mr. Law Wing Chung; and five independent non-executive Directors, namely, Mr. Chung Chin Kwan, Mr. Chan Kim Fai Eddie, Mr. Ng Chi Ho Dennis, Mr. Chung Kwok Pan and Mr. Leung Kai Cheong Kenneth.*

*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.legendarygp.com>.*