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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 INVOLVING
THE ISSUE OF PROMISSORY NOTES**

THE ACQUISITION

The Board is pleased to announce that on 16 August 2022, the Purchaser (a direct wholly-owned subsidiary of the Company), the Company and the Vendors entered into the Agreement, pursuant to which, the Purchaser has agreed to acquire and the Vendors have agreed to sell the Sale Shares at the Consideration of HK\$15,000,000, which will be satisfied as to (i) HK\$1,400,000 by the assumption of the Assumed Liabilities by the Purchaser upon Completion; (ii) HK\$1,200,000 by cash within 60 calendar days from the Completion Date; and (iii) HK\$12,400,000 in aggregate by issue of the Promissory Notes to the Vendors in six 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 holds the entire issued share capital of the Target Company and the Target Company has become an indirect wholly-owned subsidiary of the Company. Accordingly, 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 under Chapter 19 of the GEM Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 16 August 2022, the Purchaser (a direct wholly-owned subsidiary of the Company), the Company and the Vendors entered into the Agreement, pursuant to which, the Purchaser has agreed to acquire and the Vendors have agreed to sell the Sale Shares at the Consideration of HK\$15,000,000, which will be satisfied as to (i) HK\$1,400,000 by the assumption of the Assumed Liabilities by the Purchaser upon Completion; (ii) HK\$1,200,000 by cash within 60 calendar days from the Completion Date; and (iii) HK\$12,400,000 in aggregate by issue of the Promissory Notes to the Vendors in six 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

16 August 2022

Parties

- (i) the Vendors (as vendors)
- (ii) the Purchaser (a direct wholly-owned subsidiary of the Company) (as purchaser); and
- (iii) the Company.

The Vendors are entrepreneurs and the founders of MPS Dance. Vendor A is also the lead instructor of MPS Dance. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the Vendors is an Independent Third Party.

Assets to be acquired

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

Consideration

The Consideration of HK\$15,000,000 shall be satisfied by the Company as to (i) HK\$1,400,000 by the assumption of the Assumed Liabilities by the Purchaser upon Completion; (ii) HK\$1,200,000 by cash within 60 calendar days from the Completion Date; and (iii) HK\$12,400,000 in aggregate by issue of the Promissory Notes to the Vendors in six instalments in the following manner:

- (i) First instalment in the sum of HK\$2,400,000 has been satisfied upon signing of the Agreement by issue of the Promissory Notes A to the Vendors in proportion to their respective shareholding interests in the Target Company immediately prior to Completion;
- (ii) Second instalment in the sum of HK\$2,000,000 (subject to the Adjustments) will be satisfied within 14 Business Days upon issue of the Audited Report for FY2023 by issue of the Promissory Notes B to the Vendors (or their nominee(s)) in proportion to their respective shareholding interests in the Target Company immediately prior to Completion;
- (iii) Third instalment in the sum of HK\$2,000,000 (subject to the Adjustments) will be satisfied within 14 Business Days upon issue of the Audited Report for FY2024 by issue of the Promissory Notes C to the Vendors (or their nominee(s)) in proportion to their respective shareholding interests in the Target Company immediately prior to Completion;
- (iv) Fourth instalment in the sum of HK\$2,000,000 (subject to the Adjustments) will be satisfied within 14 Business Days upon issue of the Audited Report for FY2025 by issue of the Promissory Notes D to the Vendors (or their nominee(s)) in proportion to their respective shareholding interests in the Target Company immediately prior to Completion;
- (v) Fifth instalment in the sum of HK\$2,000,000 (subject to the Adjustments) will be satisfied within 14 Business Days upon issue of the Audited Report for FY2026 by issue of the Promissory Notes E to the Vendors (or their nominee(s)) in proportion to their respective shareholding interests in the Target Company immediately prior to Completion; and
- (vi) Sixth instalment in the sum of HK\$2,000,000 (subject to the Adjustments) will be satisfied within 14 Business Days upon issue of the Audited Report for FY2027 by issue of the Promissory Notes F to the Vendors (or their nominee(s)) in proportion to their respective shareholding interests in the Target Company immediately prior to Completion.

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

The Assumed Liabilities are the amount due from the Vendors to MPS Dance and are unsecured, interest-free and repayable on demand.

The Consideration was arrived at based on normal commercial terms after arm's length negotiations among the Purchaser, the Company and the Vendors and was determined with reference to among others, (i) the valuation of 100% equity interest of MPS Dance being the operating entity of the Target Group of approximately HK\$16,000,000 as at 30 June 2022 (the "**Valuation**") prepared by an independent valuer based on market approach; (ii) the profit guarantee provided by the Vendors (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 6.25% to the Valuation.

In view of the above, the Directors consider that the Consideration is fair and reasonable, is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Profit guarantee and the Adjustments

The Vendors irrevocably and unconditionally guarantees to the Purchaser that the Actual Profits for each of FY2023, FY2024, FY2025, FY2026 and FY2027 shall be no less than HK\$2,600,000 (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 Notes B shall be adjusted in the following manner:

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

If MPS Dance 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 Notes B, 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 Notes C shall be adjusted in the following manner:

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

If MPS Dance 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 Notes C, 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 Notes D shall be adjusted in the following manner:

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

If MPS Dance 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 Notes D, even if the Actual Profit exceeds the Guaranteed Profit for FY2025.

(iv) FY2026

In the event that the Actual Profit for FY2026 is less than the Guaranteed Profit for that year, the principal amount of the Promissory Notes E shall be adjusted in the following manner:

$$\begin{array}{l} \text{Adjusted principal amount} \\ \text{of the Promissory Notes E} \end{array} = \begin{array}{l} (\text{Actual Profit for FY2026} \div \text{Guaranteed Profit for FY2026}) \\ \times \text{unadjusted principal amount of the Promissory Notes E} \end{array}$$

If MPS Dance records net loss for FY2026, the Actual Profit shall be deemed to be zero (0). No upward adjustment will be made to the principal amount of the Promissory Notes E, even if the Actual Profit exceeds the Guaranteed Profit for FY2026.

(v) FY2027

In the event that the Actual Profit for FY2027 is less than the Guaranteed Profit for that year, the principal amount of the Promissory Notes F shall be adjusted in the following manner:

$$\begin{array}{l} \text{Adjusted principal amount} \\ \text{of the Promissory Notes F} \end{array} = \begin{array}{l} (\text{Actual Profit for FY2027} \div \text{Guaranteed Profit for FY2027}) \\ \times \text{unadjusted principal amount of the Promissory Notes F} \end{array}$$

If MPS Dance records net loss for FY2027, the Actual Profit shall be deemed to be zero (0). No upward adjustment will be made to the principal amount of the Promissory Notes F, even if the Actual Profit exceeds the Guaranteed Profit for FY2027.

Completion

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

Post-completion obligations

Vendor A undertakes to the Purchaser that Vendor A shall remain as, and continue to serve MPS Dance in the capacity of, a director and a course instructor for the five financial years ending 31 March 2027.

THE PROMISSORY NOTES

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

Issuer:	The Company
Principal amount:	(i) Promissory Notes A: HK\$2,400,000 (ii) Promissory Notes B: HK\$2,000,000 (iii) Promissory Notes C: HK\$2,000,000 (iv) Promissory Notes D: HK\$2,000,000 (v) Promissory Notes E: HK\$2,000,000 (vi) Promissory Notes F: HK\$2,000,000
Maturity:	3 years from the date of issue of the Promissory Notes (the “ Maturity Date(s) ”)
Interest:	5% per annum on the principal amount of the Promissory Notes, payable on the respective Maturity Dates
Transferability:	The Promissory Notes may only be transferable and assignable by the Vendors to any other person with prior written approval of the Company
Early repayment:	The Company may pay to the Vendors 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. MPS Dance, being the operating subsidiary wholly-owned by the Target Company, is principally engaged in operating pole dance studios in Hong Kong.

MPS Dance currently operates three pole dance studios in Hong Kong, offering various courses for members of varying experience level. Leveraging on the extensive industry experience of its management and lead instructors, MPS Dance has established solid reputation and is widely recognized for its high-quality and experienced training team, which consists of top talents with regional championship titles.

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 financial information of MPS Dance, being the operating entity of the Target Group, for the period from 9 February 2021 (being the date of incorporation) to 31 March 2022:

	For the period from 9 February 2021 (being the date of incorporation) to 31 March 2022 (audited) <i>HK\$'000</i>
Revenue	8,138
Net profit before taxation	2,294
Net profit after taxation	2,066

According to the financial information of MPS Dance, it recorded net assets of approximately HK\$2.4 million as at 31 March 2022.

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; (ii) provision of private supplementary education services; (iii) manufacturing and sales of OEM garment products; (iv) money lending; (v) retailing and wholesaling of garment products under the Group's own brand and high-end fashion brand; and (vi) property investment.

As part of its growth plan, the Group continues to explore and evaluate new investment opportunities which could be promising and/or of long-term benefit. MPS Dance is led by an experienced management team and instructors. Its business potential is well demonstrated with the positive financial performance since its incorporation up to the financial year ended 31 March 2022, despite the existing business performance of the Target Group has been suppressed by the COVID-19 pandemic throughout the period. The Board believes that the full business potential of the Target Group will be unleashed along with the gradual relaxation of preventive measures implemented by the Hong Kong Government. The Board is confident that the Acquisition will allow the Group to broaden its business spectrum and the operation of the Target Group will contribute positively to the Group.

In addition, the Acquisition does not create significant burden on cash flow of the Group as substantial portion of the Consideration will be satisfied by the issue of the Promissory Notes. Having taken into account that the Consideration is linked to the profit guarantees provided by the Vendors for the coming five financial years ending 31 March 2027, the Directors consider that the terms of the Consideration will be able to provide a sufficient commercial incentive for the key management of the Target Group 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 effectively provides protection to the Group against the risk of MPS Dance not sustaining its financial 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

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 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 Shares by the Purchaser pursuant to the terms and conditions of the Agreement
“Actual Profit(s)”	the audited net profit(s) after tax of MPS Dance 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 16 August 2022 entered into among the Purchaser, the Company and the Vendors in relation to the Acquisition

“Assumed Liabilities”	the aggregate amount for which the Vendors are indebted to MPS Dance to be assumed by the Purchaser as part of the Consideration upon Completion, the outstanding amount is HK\$1,400,000 as at the date of the Agreement
“Audited Report”	the audited report on the financial statements of MPS Dance prepared by an independent auditor in accordance with HKFRS
“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 Shares 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\$15,000,000 and subject to adjustments in accordance with the terms and conditions of the Agreement
“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
“FY2026”	the financial year ending 31 March 2026
“FY2027”	the financial year ending 31 March 2027
“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
“MPS Dance”	MPS Dance 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
“Promissory Notes”	collectively Promissory Notes A, Promissory Notes B, Promissory Notes C, Promissory Notes D, Promissory Notes E and Promissory Notes F
“Promissory Notes A”	the promissory notes with a principal amount of HK\$2,400,000 issued by the Company to the Vendors in proportion to their respective shareholding interests in the Target Company immediately prior to Completion upon signing of the Agreement
“Promissory Notes B”	the promissory notes with a principal amount of HK\$2,000,000 to be issued by the Company to the Vendors (or their nominee(s)) in proportion to their respective shareholding interests in the Target Company immediately prior to Completion upon issue of the Audited Report for FY2023, subject to the Adjustments
“Promissory Notes C”	the promissory notes with a principal amount of HK\$2,000,000 to be issued by the Company to the Vendors (or their nominee(s)) in proportion to their respective shareholding interests in the Target Company immediately prior to Completion upon issue of the Audited Report for FY2024, subject to the Adjustments

“Promissory Notes D”	the promissory notes with a principal amount of HK\$2,000,000 to be issued by the Company to the Vendors (or their nominee(s)) in proportion to their respective shareholding interests in the Target Company immediately prior to Completion upon issue of the Audited Report for FY2025, subject to the Adjustments
“Promissory Notes E”	the promissory notes with a principal amount of HK\$2,000,000 to be issued by the Company to the Vendors (or their nominee(s)) in proportion to their respective shareholding interests in the Target Company immediately prior to Completion upon issue of the Audited Report for FY2026, subject to the Adjustments
“Promissory Notes F”	the promissory notes with a principal amount of HK\$2,000,000 to be issued by the Company to the Vendors (or their nominee(s)) in proportion to their respective shareholding interests in the Target Company immediately prior to Completion upon issue of the Audited Report for FY2027, 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 Shares”	100 ordinary shares in the share capital 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”	Best Take Global Limited, a company incorporated in the BVI with limited liability and owned as to 85% by Vendor A and 15% by Vendor B respectively
“Target Group”	the Target Company and MPS Dance
“Vendor A”	Ms. Man Chi Ling (文芷苓), being the beneficial owner of 85% of the Sale Shares immediately prior to the Completion
“Vendor B”	Mr. Lee Kwok Yui (李國銳), being the beneficial owner of 15% of the Sale Shares immediately prior to the Completion

“Vendors”

Vendor A and Vendor B

“%”

per cent.

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

Hong Kong, 16 August 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 Stock Exchange’s website at <http://www.hkexnews.hk> for at least 7 days from the date of its posting and on the website of the Company at <http://www.legendarygp.com>.