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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)

INSIDE INFORMATION
RESULTS OF INTERNAL CONTROL FOLLOW-UP REVIEW
AND
CONTINUED SUSPENSION OF TRADING

This announcement is made by Legendary Group Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) pursuant to the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and Rule 17.10 of the Rules Governing the Listing of Securities on the GEM (the “**GEM Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

References are made to the announcements (the “**Announcements**”) of the Company dated (i) 19 October 2021, 1 November 2021 and 3 November 2021 in relation to, among others, the winding up petition made against the Company (the “**Petition**”) and the alleged matters as raised in the Petition (the “**Allegations**”); (ii) 26 November 2021 in relation to, among other things, the establishment of the investigation committee; (iii) 7 June 2022 in relation to, among other things, the major findings of the investigation on the matters concerning the Allegations (the “**Investigation**”) conducted by the independent consultant, BT Corporate Governance Limited (the “**Independent Consultant**”); (iv) 23 November 2021 and 17 June 2022 in relation to, among other things, the guidance for the resumption of trading in the shares of the Company as set out by the Stock Exchange; and (v) 18 January 2022 and 14 April 2022 in relation to, among other things, the quarterly update on resumption progress.

RESULTS OF THE INTERNAL CONTROL FOLLOW-UP REVIEW

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to inform the shareholders of the Company (the “**Shareholders**”) that, on 24 June 2022, the Independent Consultant has completed the internal control follow-up review (the “**IC Review**”) on the implementation status of the recommendations relating to the findings identified during the Investigation. Set forth below is a summary of the key internal control weaknesses identified during the Investigation, the corresponding recommendations and the progress of the Company’s implementation of the recommendations:

No.	Key internal control weaknesses identified during the Investigation	Recommendations	Progress of implementation of the recommendations
1.	There was a lack of supporting evidence of the due diligence work performed by the management during the investment decision-making process.	The Company should ensure that a comprehensive business due diligence assignment is conducted for mergers and acquisitions. A business due diligence checklist should be established to ensure that all the key information, such as ownership and organization, assets and operations, key financial ratios and future growth potential, of the target company has been collected and analyzed, and all the relevant documents are collected and inspected, before any investment decision can be made by the Company. All relevant documents and records should be properly maintained to demonstrate that all relevant information has been carefully studied and considered by the Company. Further, a business due diligence report should be prepared and submitted to the Board for reference and discussion before its approval of the relevant investments.	The Company has implemented the recommendation. The Independent Consultant has conducted review on the Company’s most recent practice and noted that the Company has established a business due diligence checklist which lists out relevant items for analysing the financial and operating performance of the acquisition target. A business due diligence report had been prepared by management and reviewed by the executive Directors before approving the acquisition.

No.	Key internal control weaknesses identified during the Investigation	Recommendations	Progress of implementation of the recommendations
2.	There was an absence of written evidence of an appropriate scrutiny and analysis of financial forecast of the acquisition target.	The Company should review all relevant financial information and financial forecast provided to it carefully, and make further enquiries, where necessary, in order to understand the basis of the financial forecast prepared by the target company, before making an investment decision. Evidence of management review of the financial information and financial forecast should be properly maintained. Minutes of the physical meetings and/or telephone/video conferences of the board/management with the results of the discussion over the relevant investment should be properly documented.	The Company has implemented the recommendation. The Independent Consultant has conducted review on the Company's most recent practice and noted that the Company's management has reviewed and discussed the relevant financial information and financial forecast of the acquisition target before the acquisition took place. It is also observed that evidence of management review has been properly maintained.
3.	There was an absence of written evidence of management review on the legal due diligence report.	The Company should review all relevant due diligence reports prepared by professional parties to ensure that all identified or potential legally related issues have been carefully considered, and all relevant reviews and analyses should be properly documented and maintained for future reference. Also, minutes of the physical meetings and/or telephone/video conferences of the board/management with the results of the discussion over the relevant due diligence report(s) should be properly documented.	The Company has implemented the recommendation. The Independent Consultant has conducted review on the Company's most recent practice and noted that the Company has conducted the legal due diligence on the acquisition target and evidence of management review has been properly maintained.

Key internal control weaknesses identified during the Investigation	Recommendations	Progress of implementation of the recommendations
4. The Company failed to comply with the GEM Listing Rules in respect of the restricted grant of share options during the black-out period and relevant disclosure requirements.	A compliance committee should be set up to oversee the regulatory compliance with all relevant rules and regulations applicable to the Company. A GEM Listing Rules compliance checklist in relation to options issue and share placement should be established.	The Company has implemented the recommendation. The Company has set up a compliance committee and established a GEM Listing Rules compliance checklist in relation to options issue and share placement. The Company has engaged an independent Hong Kong legal advisor to provide consultation to the Company on the compliance of the laws and regulations of Hong Kong and the GEM Listing Rules.
5. The Company failed to perform appropriate assessment on the borrowers' creditworthiness before granting of loans.	Management of the Company should exercise due and reasonable care, skill and diligence during the process of performance of credit assessment of the borrowers to protect the interests of the Company. When the loan amount is higher than the value of the collaterals as per the loan approval policies and procedures of the Company, risk assessment needs to be performed and submitted to the Directors for review and consideration. Further approval from, at least, two Directors needs to be obtained before the loan can be granted to the borrowers.	The Company has implemented the recommendation. The Independent Consultant has conducted review on the Company's recent loan transactions and noted that the Company had strengthened the assessment procedures on the borrowers' creditworthiness before granting of loans.

No. during the Investigation	Key internal control weaknesses identified	Recommendations	Progress of implementation of the recommendations
6.	The Company failed to perform proper background check on loan borrowers.	The Company should perform sufficient background check on the borrowers before a loan can be granted to the borrowers by the Company to ensure that the borrowers are independent from the Company.	The Company has implemented the recommendation. The Independent Consultant has conducted review on the Company's recent loan transactions and noted that the Company had performed sufficient background check on the borrowers (including litigation search and independence check) before granting of loans.

VIEWES OF THE INDEPENDENT CONSULTANT

On the basis of the Company's successful implementation of the recommendations above, the Independent Consultant concluded that there was no indication of any material deficiencies in the internal control systems and procedures of the Group that were the subject of the IC Review.

VIEWES OF THE AUDIT COMMITTEE, THE COMPLIANCE COMMITTEE AND THE BOARD

Having considered the results of the IC Review, the audit committee (the "**Audit Committee**") and the compliance committee the ("**Compliance Committee**") of the Board are of the view that the remedial measures implemented by the Company are sufficient and adequate to address all the key internal control weaknesses as identified during the Investigation. Both committees satisfy that the Company has in place adequate internal controls and procedures to comply with the GEM Listing Rules and to safeguard the interest of the Company and the Shareholders as a whole.

The Board, after considering the results of the IC Review, concurs with the views of the Audit Committee and the Compliance Committee that the Company has put in place adequate internal control systems and procedures to comply with the GEM Listing Rules and to safeguard the interest of the Company and the Shareholders as a whole.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 19 October 2021. Pending fulfilment of the resumption guidance and the additional resumption guidance given by the Stock Exchange, as stated in the announcements of the Company dated 23 November 2021 and 17 June 2022 respectively, trading in the shares of the Company will remain suspended until further notice. The Company will make further announcement(s) as and when appropriate.

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

Hong Kong, 30 June 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 Listed Company Announcements” page of the Stock Exchange’s website at <http://www.hkexnews.hk> for at least 7 days from the date of its publication and on the website of the Company at <http://www.legendarygp.com>.