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LEGEND STRATEGY INTERNATIONAL HOLDINGS GROUP COMPANY LIMITED
杋濤國際集團控股有限公司

(a company incorporated in the Cayman Islands with limited liability)

(Stock Code: 1355)

RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Legend Strategy International Holdings Group Company Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries for the year ended 31 December 2019 (the "**Annual Results**"). The Annual Results have been reviewed by the audit committee of the Board. This announcement is published on the websites of the Company (www.legend-strategy.com) and the Stock Exchange (www.hkexnews.hk).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$	2018 HK$
Revenue	4	**45,584,928**	45,547,168
Depreciation of right-of-use assets		**(14,473,621)**	(15,195,590)
Depreciation of property, plant and equipment		**(3,998,391)**	(5,749,225)
Employee benefit expenses		**(16,918,232)**	(16,117,216)
Utilities		**(2,399,960)**	(3,001,903)
Other operating expenses		**(15,257,287)**	(11,526,833)
Gain on disposal of subsidiaries		—	3,777,111
Other income	5	**2,969,434**	3,311,795
Operating (loss)/profit		**(4,493,129)**	1,045,307
Finance costs	6	**(3,626,433)**	(3,122,615)
Loss before tax		**(8,119,562)**	(2,077,308)
Income tax expenses	7	**(7,002,483)**	(3,110,248)
Loss for the year	8	**(15,122,045)**	(5,187,556)
Other comprehensive loss:			
Items that may be reclassified to profit or loss:			
Exchange differences reclassified to profit or loss on disposal of subsidiaries		—	750,970
Exchange differences on translating foreign operations		**(610,026)**	(824,996)
Total comprehensive loss for the year		**(15,732,071)**	(5,261,582)

	Notes	**2019** HK$	2018 HK$
Loss for the year attributable to:			
Owners of the Company		**(14,970,351)**	(4,378,134)
Non-controlling interests		**(151,694)**	(809,422)
		(15,122,045)	(5,187,556)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(15,584,665)**	(4,443,453)
Non-controlling interests		**(147,406)**	(818,129)
		(15,732,071)	(5,261,582)
Loss per share	10		
— Basic (Hong Kong cents)		**(3.34)**	(0.98)
— Diluted (Hong Kong cents)		**(3.34)**	(0.98)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$	2018 HK$
Non-current assets			
Property, plant and equipment	11	**11,137,775**	9,045,125
Rental deposits	12	**2,920,969**	2,120,846
Goodwill		**1,879,426**	1,920,203
Prepayments	12	**144,893**	826,898
Right-of-use assets		**39,891,481**	43,734,570
Deferred income tax assets		**1,936,484**	4,795,488
		57,911,028	62,443,130
Current assets			
Rental deposits	12	**391,918**	952,075
Prepayments, deposits and other receivables	12	**977,389**	1,171,190
Trade receivables	13	**611,113**	825,299
Inventories		**144,189**	204,831
Bank and cash balances		**11,200,511**	27,649,893
Investments at fair value through profit or loss		**—**	5,922,551
		13,325,120	36,725,839
Total assets		**71,236,148**	99,168,969
Current liabilities			
Trade and other payables	14	**4,103,550**	6,951,988
Tax payable		**2,754,672**	2,227,794
Provision for asset retirement		**471,921**	1,350,188
Lease liabilities		**13,521,072**	15,733,321
Borrowings	15	**15,000,000**	10,000,000
		35,851,215	36,263,291

	Notes	**2019** ***HK$***	2018 *HK$*
Net current (liabilities)/assets		**(22,526,095)**	462,548
Total assets less current liabilities		**35,384,933**	62,905,678
Non-current liabilities			
Provision for asset retirement		**397,371**	846,987
Borrowings	*15*	**—**	11,860,063
Lease liabilities		**31,360,676**	30,839,671
		31,758,047	43,546,721
Net assets		**3,626,886**	19,358,957
EQUITY			
Capital and reserves			
Share capital		**4,483,637**	4,483,637
Reserves		**(634,199)**	14,950,466
Equity attributable to owners of the Company		**3,849,438**	19,434,103
Non-controlling interests		**(222,552)**	(75,146)
Total equity		**3,626,886**	19,358,957

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital *HK$*	Share premium *HK$*	Exchange reserve *HK$*	Statutory reserve *HK$*	Other reserve *HK$*	Shareholder's contribution *HK$*	Accumulated losses *HK$*	Sub-total *HK$*	Non-controlling interests *HK$*	Total *HK$*
At 1 January 2018	4,483,637	261,578,477	720,920	1,742,763	8,020,110	20,394,393	(276,613,198)	20,327,102	742,983	21,070,085
Total comprehensive loss for the year	—	—	(65,319)	—	—	—	(4,378,134)	(4,443,453)	(818,129)	(5,261,582)
Disposal of subsidiaries	—	—	—	—	(8,020,110)	(14,832,811)	22,852,921	—	—	—
Waiver of interest on borrowings from China Medical Overseas Limited ("**Former Controlling Shareholder**")	—	—	—	—	—	3,550,454	—	3,550,454	—	3,550,454
At 31 December 2018 and 1 January 2019	4,483,637	261,578,477	655,601	1,742,763	—	9,112,036	(258,138,411)	19,434,103	(75,146)	19,358,957
Total comprehensive loss for the year	—	—	(614,314)	—	—	—	(14,970,351)	(15,584,665)	(147,406)	(15,732,071)
At 31 December 2019	4,483,637	261,578,477	41,287	1,742,763	—	9,112,036	(273,108,762)	3,849,438	(222,552)	3,626,886

NOTES

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Suite 1705, 17/F., World-Wide House, No. 19 Des Voeux Road Central, Central, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

In the opinion of the directors of the Company, as at 31 December 2019, Hehui International Development Limited (the "**Current Controlling Shareholder**"), a company incorporated in the British Virgin Islands, which is wholly owned by Mr. Yuan Fuer ("**Mr. Yuan**"), is the controlling shareholder of the Company.

The Company is an investment holding company. The Group is principally engaged in the hotel operations, hotel consultations and management services and other related businesses in the People's Republic of China (the "**PRC**"). The Group is also involved in the money lending business.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The consolidated results set out in this announcement do not constitute the consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019, but are extracted from those consolidated financial statements.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies.

The Group incurred a loss of HK$15,122,045 for the year ended 31 December 2019 and as at 31 December 2019 the Group had net current liabilities of HK$22,526,095. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the Current Controlling Shareholder, at a level sufficient to finance the working capital requirements of the Group and the Current Controlling Shareholder has undertaken not to demand repayment until the Company can meet all the other obligations. The Current Controlling Shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due. The directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

The Company's directors have reviewed the Group's cash flow projections. The cash flow projections cover a period of twelve months from 31 December 2019. In the opinion of the directors, based on these cash flow projections and in light of the above, the Group will have sufficient financial resources in the coming twelve months to meet its financial obligations as and when they fall due. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3 CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4 OPERATING SEGMENT INFORMATION

The Group has one reportable segment as follows:

— Hotel operations

The Group's reportable segment is a strategic business unit that offers different products and services. They are managed together because their business models, technology and marketing strategies are similar to each others.

Segment profits or losses do not include bank interest income, finance costs, auditor's remuneration, legal and professional fee, head office and corporate expenses.

The segment information for the reportable segment for the year is as follows:

	Hotel operations	
	2019	2018
	HK$	*HK$*
Revenue	**45,584,928**	45,547,168
Segment profit	**11,699,181**	19,003,582
Depreciation of property, plant and equipment	**3,809,048**	4,747,259
Depreciation of right-of-use assets	**11,263,237**	10,373,520
Impairment of property, plant and equipment	**435,093**	—
Impairment of right-of-use assets	**1,404,421**	—

A reconciliation of segment results to loss before tax is provided as follows:

	2019	2018
	HK$	*HK$*
Total profit of reportable segment	**11,699,181**	19,003,582
Unallocated corporate expenses, net	**(16,419,170)**	(18,035,440)
Bank interest income	**226,860**	77,165
Finance costs	**(3,626,433)**	(3,122,615)
Loss before tax	**(8,119,562)**	(2,077,308)

Revenue from major customers:

All revenue was derived in the PRC during the years ended 31 December 2019 and 2018. Revenue from two (2018: two) customers of the Group's hotel operation segment represents approximately HK$11,462,926 (2018: HK$9,974,683) and HK$8,197,649 (2018: HK$6,485,297) of the Group's total revenue respectively.

The total of non-current assets other than deferred income tax assets and rental deposits located in Hong Kong and the PRC were HK$4,861,965 (2018: HK$8,226,664) and HK$48,191,610 (2018: HK$47,300,132), respectively.

Breakdown of revenue from all activities is as follows:

	2019	2018
	HK$	*HK$*
Sales from hotel operations		
— Rental of hotel rooms and conference rooms	**45,584,928**	45,547,168
Revenue from contracts with customers	**45,584,928**	45,547,168

Disaggregation of revenue from contracts with customers:

	2019	2018
	HK$	*HK$*
Geographical markets		
PRC	**45,584,928**	45,547,168
Major service		
Rental of hotel rooms and conference rooms	**45,584,928**	45,547,168
Timing of revenue recognition		
Over time	**45,584,928**	45,547,168

Hotel revenue from hotel rooms and conference rooms rental is recognised when the services are rendered.

5 OTHER INCOME

	2019	2018
	HK$	*HK$*
Bank interest income	**226,860**	77,165
Food and beverage	**85,151**	146,181
Gain on early repayment of borrowings	**1,045,783**	—
Net foreign exchange gain	**—**	728,853
Change in provision for asset retirement	**1,378,084**	2,339,062
Others	**233,556**	20,534
	2,969,434	3,311,795

6 FINANCE COSTS

	2019	2018
	HK$	*HK$*
Finance cost on provision for asset retirement	**73,710**	173,072
Interest on borrowings from the Former Controlling Shareholder	**1,091,421**	1,174,736
Lease interest	**2,461,302**	1,774,807
	3,626,433	3,122,615

7 INCOME TAX EXPENSES

	2019	2018
	HK$	*HK$*
Current tax — PRC corporate income tax		
Provision for the year	**4,195,502**	3,229,444
Under-provision in prior year	**—**	12,605
	4,195,502	3,242,049
Deferred income tax	**2,806,981**	(131,801)
	7,002,483	3,110,248

The Group is not subject to taxation in the Cayman Islands and the British Virgin Islands.

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the years ended 31 December 2019 and 2018. The amount provided for the year ended 31 December 2019 was calculated at 16.5% (2018: 16.5%) based on the assessable profit for the year.

For the year ended 31 December 2019, PRC corporate income tax is provided at 25% (2018: 25%) based on the assessable profit for the year less allowable losses brought forward.

8 LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2019	2018
	HK$	*HK$*
Auditor's remuneration*	**1,000,000**	1,000,000
Depreciation of property, plant and equipment	**3,998,391**	5,749,225
Depreciation of right-of-use assets	**14,473,621**	15,195,590
Net foreign exchange loss/(gain)*	**23,759**	(728,853)
Impairment of property, plant and equipment*	**435,093**	—
Impairment of right-of-use assets*	**1,404,421**	—
Gain on disposal of subsidiaries	**—**	(3,777,111)
Loss on disposal of property, plant and equipment*	**—**	34,747

* *These items are included in "Other operating expenses" or "Other income" of the consolidated statement of profit or loss and other comprehensive income.*

9 DIVIDEND

The directors of the Company did not recommend the payment of any dividend for the years ended 31 December 2019 and 2018.

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of HK$14,970,351 (2018: HK$4,378,134) and the weighted average number of ordinary shares of 448,363,708 (2018: 448,363,708) in issue during the year.

(b) Diluted loss per share

There was no dilutive potential ordinary shares outstanding for the year (2018: Nil). Accordingly, the diluted loss per share is same as basic loss per share for both years.

11 PROPERTY, PLANT AND EQUIPMENT

(i) Additions of property, plant and equipment

During the year ended 31 December 2019, the Group acquired property, plant and equipment of approximately HK$6,591,253 (2018: HK$945,322).

(ii) Impairment of property, plant and equipment

The Group carried out reviews of the recoverable amount of its property, plant and equipment in 2018 and 2019 as a result of the deterioration of performance of hotels. These assets are used in the Group's hotel operations segment. The reviews led to the recognition of an impairment loss of HK$435,093, that has been recognised in profit or loss. The recoverable amount of the relevant assets of HK$4,910,393 has been determined on the basis of their value in use using discounted cash flow method. The discount rate used was 12.7%.

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The amounts of prepayments, deposits and other receivables are analysed as follows:

	2019	2018
	HK$	*HK$*
Non-current portion		
Rental deposits	**2,920,969**	2,120,846
Prepayments	**144,893**	826,898
	3,065,862	2,947,744
Current portion		
Prepayments	**825,087**	990,234
Rental deposits	**391,918**	952,075
Other receivables	**152,302**	180,956
	1,369,307	2,123,265
	4,435,169	5,071,009

13 TRADE RECEIVABLES

The majority of the Group's revenue from hotel operations are made via credit cards or cash. Hotel rooms are rented to corporate customers with an appropriate credit history on credit terms of 30 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The aging analysis of trade receivables, based on the past due date and net of allowance is as follows:

	2019	2018
	HK$	*HK$*
Neither past due nor impaired	**400,082**	344,572
0–30 days past due	**35,380**	38,364
31–60 days past due	**—**	81,255
61–90 days past due	**168,187**	28,494
91–120 days past due	**—**	325,849
121–365 days past due	**842**	6,765
Over 365 days past due	**6,622**	—
	211,031	480,727
	611,113	825,299

14 TRADE AND OTHER PAYABLES

	2019	2018
	HK$	*HK$*
Trade payables	**91,700**	173,864
Accruals and other payables	**4,011,850**	6,778,124
	4,103,550	6,951,988

The aging analysis of trade payables, based on invoice date, is as follows:

	2019	2018
	HK$	*HK$*
0–30 days	**88,046**	149,548
31–60 days	**3,654**	23,292
61–90 days	—	513
Over 90 days	—	511
	91,700	173,864

15 BORROWINGS

		2019	2018
	Notes	***HK$***	*HK$*
Non-current portion			
Borrowings repayable on 1 June 2020	*(a)*	—	2,912,049
Borrowings repayable on 27 August 2020	*(a)*	—	4,752,237
Borrowings repayable on 27 December 2020	*(a)*	—	4,195,777
		—	11,860,063
Current portion			
Borrowings repayable on demand	*(b)*	**15,000,000**	10,000,000
		15,000,000	21,860,063

(a) On 30 June 2018, the Group signed an agreement with the Former Controlling Shareholder, pursuant to which, interest of HK$1,095,781 for the period from 2 June 2017 to 30 June 2018 and interest payable commencing from 1 July 2018 are waived. A gain of HK$3,550,454 was resulted from the waiver of interest on the Former Controlling Shareholder's borrowings. Since the lender, which is the Former Controlling Shareholder, was a shareholder of the Company as at 30 June 2018, the gain resulted from the waiver of the interest on the Former Controlling Shareholder's Borrowings was recognised in shareholder's contributions equity account.

As at 31 December 2018, the Group has borrowings of HK$11,860,063, with effective interest rate of 9%, from China Medical Overseas Limited. The Former Controlling Shareholder's borrowings were unsecured, non-interest bearing and repayable on maturity.

During 2019, the Group signed an agreement with the Former Controlling Shareholder, pursuant to which, the Group early repaid RMB10,680,000 (equivalent to HK$11,905,701) to the Former Controlling Shareholder to settle principal amount of borrowings of HK$13,800,000. At the date of repayment, the carrying amount of the borrowings was HK$12,951,484, resulting in the recognition of a gain on early repayment of borrowings of HK$1,045,783.

(b) As at 31 December 2019, the Group has borrowings of HK$15,000,000 (2018: HK$10,000,000) from the Current Controlling Shareholder. The Current Controlling Shareholder's borrowings are unsecured, non-interest bearing and repayable on demand.

16 CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities (2018: Nil).

17 CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2019	2018
	HK$	*HK$*
Property, plant and equipment	**32,356**	3,636,559

18 EVENTS AFTER THE REPORTING PERIOD

On 24 January 2020, (i) 深圳枋濬酒店管理有限公司 ("**Shenzhen Subsidiary**"), an indirect wholly-owned subsidiary of the Company, and an independent third party ("**Chengdu Partner**") entered into an agreement (the "**Chengdu Agreement**") pursuant to which Shenzhen Subsidiary and Chengdu Partner will, among others, provide capital in the amount of RMB21.00 million to a company to be established jointly by Shenzhen Subsidiary and Chengdu Partner in the PRC (the "**Chengdu JV**") according to their proportional interests (i.e. 51% and 49% respectively) in Chengdu JV after establishment (subject to the terms and conditions of the Chengdu Agreement); and (ii) Shenzhen Subsidiary and an independent third party ("**Wuhan Partner**") entered into an agreement ("**Wuhan Agreement**") pursuant to which Shenzhen Subsidiary and Wuhan Partner will, among others, provide capital in the amount of RMB20.90 million to Wuhan JV according to their proportional interests (i.e. 51% and 49% respectively) in Wuhan JV (subject to the terms and conditions of the Wuhan Agreement), for the development of hotel business in Chengdu and Wuhan, the PRC respectively.

In order to secure places for establishment of the hotels, on 24 January 2020, Shenzhen Subsidiary, Chengdu Partner and Wuhan JV also entered into the Tenancy Agreements with landlord of property situated in Chengdu, the PRC ("**Chengdu Landlord**") and landlord of property situated in Wuhan, the PRC ("**Wuhan Landlord**") for term of around 12 years and 15 years respectively. On 4 February 2020, Shenzhen Subsidiary, Chengdu Partner and Chengdu Landlord entered into a supplemental agreement ("**Supplemental Chengdu Tenancy Agreement**") to reduce the monthly rents under the tenancy agreement for the property situated in Chengdu. The total rental payables under the tenancy agreements for properties located in Chengdu and Wuhan are approximately RMB65.54 million (exclusive of property management fees, air conditioning, other charges and outgoings) and RMB94.16 million (inclusive of property management fees but exclusive of air conditioning, other charges and outgoings) for the entire term respectively.

BUSINESS AND OPERATIONAL REVIEW

The Group is principally engaged in hotel operations and hotel consultations and management services and other related businesses. The Group is also involved in the money lending business. For the year ended 31 December 2019 ("**the Year**"), the Group has 4 leased-and-operated hotels under operation. Revenue from hotel operations during the Year was mainly derived from rental of hotel rooms and conference rooms.

With respect to the hotel operation, for the year ended 31 December 2019, the revenue was HK$45,584,928, representing a slight increase of less than 1% as compared with revenue of HK$45,547,168 for the last financial year. As disclosed in the Company's announcement dated 30 April 2018, the Group successfully acquired the resort hotels located in Huizhou ("**Huizhou Hotel**") to increase the number of available rooms and expand the size of the Group's hotel business. The increase in revenue was mainly attributable to the increase in revenue brought by Huizhou Hotel which was opened in June 2018. During the Year, Huizhou Hotel maintained its edge as the second half of 2018 with stable performance. The Group will continue to look for investment and enhancement opportunities, and explore the provision of various hotel accommodation and hotel consultations and management services in the PRC, Hong Kong or overseas to optimize the overall hotel assets structure and improve efficiency.

On the other hand, despite the increase in revenue brought by Huizhou Hotel during the Year, the performance of the Group was affected by the performance of hotels located in Shenzhen, namely Nanshan Hotel being affected by the continuous large scale construction work in the nearby subway station and Baoan Hotel experiencing the climb-up stage of business after its renovation took place. As a result, the increase in revenue was partially offset by the decrease in revenue brought by hotels located in Shenzhen.

However, the Group continues to dedicate itself to improving the performance of its existing hotels. On top of continuing to implement effective sales and marketing plans adopted since last year, including entering into cooperation agreements with new tourism intermediaries, proactively contacting various corporate customers and developing various programs to increase customer loyalty, the Group commenced a comprehensive renovation at Baoan Hotel at the end of 2018. The renovation was completed during the Year. With reference to the experience at Nanshan Hotel, the renovation is expected to boost the room rates, occupancy rate and revenue and thus improve the performance of Baoan Hotel, thereby providing assurance to the sustainable development of the Group.

In addition to the above, the Group continued to adopt a series of operation improvement schemes during the Year such as enhancing hotel facilities and implementing staff performance programs. Through seeking customers' feedback from time to time, reviewing comments available from online travel agencies and their platforms and actively carrying out improvement plans to increase service quality, customers' satisfaction and employees' morale, the Group aimed to boost up revenue and improve performance in all aspects.

On top of the above, the Group also initiated projects on brand building and management during the Year, such as establishing the brand development team to strengthen the quality of services provided by the Group and engaging professional teams to conduct research on the Group's brand, in order to strengthen the image of the Group's hotel to the customers and raise the opportunity for the customers to stay in the Group's hotel.

In addition to the frontline operation of hotels, we also took important actions to control back office and other expenses, including reviewing human resource efficiency and making corresponding adjustments, maintaining cost saving measures to lower corporate expenses and reviewing performance from time to time by comparing to financial budgets, so as to maximize the Group's benefits.

The following is an update on the Group's existing hotels:

Huizhou Hotel

The Group has successfully acquired two hotels in Huizhou on 30 April 2018 in two separate blocks and has managed these two hotels as a single hotel since its official opening on 1 June 2018. Huizhou Hotel is a hotel situated at Xunliaowan of Huizhou, which is easily accessible as Huizhou is located near the Pearl River Delta neighbouring Shenzhen and Hong Kong with direct flights to other cities in the PRC. Xunliaowan offers hotel guests the opportunities to enjoy a beach vacation in the region, become a beach bum, spend their days lazing on the sand and take in the sun followed by a dip in the clear waters. Also, with both historic scenic spots and the coast along the Pacific Ocean, Huizhou attracts domestic and foreign tourists to spend their holiday in the region.

With the commitment to the development of the Greater Bay Area of the PRC Government, the Group looks forward to the increasing number of guests visiting the region which will boost the performance of Huizhou Hotel in the long run. As reported by Huizhou Airport, the number of guests travelling to Huizhou in 2018 via Huizhou Airport was approximately 1,880,000 which is 96% more than that in 2017. For the seven months period ended 31 July 2019, the number of guests travelling to Huizhou was approximately 1,500,000 and it is expected the number of guests would reach approximately 2,500,000 for the year ended 31 December 2019. In the coming years, with the focusing effort supported by the Huizhou Government in the tourists' areas, especially the strong promotion and development of Greater Bay Area by the PRC Government, it is expected that the growing trend in the number of visiting guests will sustain and develop a stronger base for Huizhou Hotel to enhance popularity and boost performance.

Nanshan Hotel

Nanshan Hotel is situated near the Hong Kong-Shenzhen Western Corridor and the Shekou Port. It has five floors and a total GFA of approximately 7,000 sq.m., comprising 189 rooms. As the nearby subway station has been opened since late June 2016, the hotel's accessibility to the airport has been greatly improved and the airport is reachable from the hotel in approximately 30 minutes. Also, Nanshan Hotel is in close proximity to the Coastal City Commercial Area, Shenzhen Book Mall (Nanshan), Shenzhen Bay Sports Centre Stadium and theme parks such as the Window of the World, Overseas Chinese Town Harbour and the Sea World, which provides stable demand for hotel rooms from both business and tourism guests.

The renovation completed at Nanshan Hotel in recent years does provide a significant positive impact on the growth of hotel performance by increasing the number of available rooms and thus providing grounds to increase hotel room rates. However, during the Year, due to the continuous large-scale construction work in the nearby subway station, the operation of Nanshan Hotel has been affected to a certain extent. The occupancy rate was lowered and as a result, the revenue of Nanshan Hotel decreased as compared with last year.

The Group will continue to review its marketing strategies and re-examine the mode of cooperation and sales plans with tourism intermediaries and corporate customers. In terms of operation, the Group will continue to improve service quality and actively collect customers' feedback in order to enhance customers' satisfaction and loyalty and thus bring greater benefits to the Group.

Luohu Hotel

Luohu Hotel is situated near Huaqiang North Commercial Street and Shenzhen Railway Station. It has one floor and a total GFA of approximately 2,000 sq.m., comprising 78 rooms. The hotel is conveniently located at the financial centre area in the Luohu District, adjoining the World Financial Centre, the Shenzhen Book City, The Mixc, the Citic City Plaza, the Shun Hing Square, the Shenzhen Grand Theatre and the Dongmen Commercial Pedestrian Street. Luohu Hotel also enjoys convenient transport access which allows visitors to easily reach Luohu Checkpoint, the Shenzhen Conventional & Exhibition Centre and Shenzhen Stadium, which are all within a short driving distance.

During the Year, despite the small-scale renovation including the repair of ceilings and walls and the replacement of in-room electrical appliances and bed linens carried out in Luohu Hotel in the second quarter of 2018, the gradually aged decoration of the interior casted certain impact on the attractiveness of the rooms. As a result, the revenue of Luohu Hotel decreased as compared with last year. As mentioned in the Company's announcement dated 30 January 2020, the Group's management has decided not to renew the tenancy agreement after its expiry on 31 January 2020 as it would be difficult for the hotel to bring reasonable return to the Group in view of the hugely increased monthly rent upon renewal of tenancy agreement.

Baoan Hotel

Baoan Hotel has four floors and a total GFA of approximately 1,700 sq.m., comprising 46 rooms. The hotel is located at a commercial area in the Baoan District and adjoining the Baoan International Airport, the Nantou customs, the Baoan Coach Terminal and the Xixiang Pier. The Group commenced a comprehensive renovation to Baoan Hotel in the fourth quarter of 2018 and it was completed during the Year. The comprehensive renovation mainly includes hard refurbishment (such as leasehold improvements), soft refurbishment (such as replacement of mattresses and blankets) and replacement of in-room electrical appliances.

The revenue of Baoan Hotel decreased during the Year as the hotel is now experiencing the climb-up stage of business after the comprehensive renovation was carried out. However, the comprehensive renovation completed during the Year should solve the existing problems created by the aged decoration of the interior of Baoan Hotel and thus provide support to the Group's sales team, enhance the service quality and boost both number of guests and revenue effectively.

FINANCIAL REVIEW

For the year ended 31 December 2019, the Group recorded revenue of HK$45,584,928, compared with HK$45,547,168 for the last financial year, representing a slight increase of less than 1%. The Group recorded a total comprehensive loss of HK$15,732,071 for the year ended 31 December 2019 compared with HK$5,261,582 for the last financial year, representing an increase of approximately 199%. The increase in total comprehensive loss is mainly attributable to the increase in other operating expenses which will be further explained below. The increase in total comprehensive loss is also due to the absence of a one-off gain on disposal of subsidiaries during the Year.

The following table shows the key information of the total of the Group's leased-and-operated hotels for the year ended 31 December 2018 and 2019.

	2019	2018
Total available room nights	**237,935**	185,438
Occupancy rate	**60.04%**	72.43%
ARR* *(RMB)*	**296.5**	296.7
RevPAR# *(RMB)*	**178.0**	214.9

* ARR: the room revenue of all hotels divided by the total occupied room nights

\# RevPAR: the room revenue of all hotels divided by the total available room nights

For the year ended 31 December 2019, total available room nights of the Group increased by 52,497 nights or approximately 28.3% as compared with last year due to the impact brought by the opening of Huizhou Hotel in June 2018. The occupancy rate and RevPAR of the Group decreased by 12.4% and by RMB36.9 or approximately 17.2% respectively as compared with last year since the total available rooms of Huizhou Hotel accounted for a large proportion of the overall available rooms of the Group. In addition, the first half of the year is a slack season as far as a seaside resort hotel is concerned. As a result, the annualised occupancy rate of the Group is more susceptible to seasonal impact. Meanwhile, the ARR during the Year remains comparable as compared with that of last year.

Operating Costs

The total operating costs increased by HK$1,456,724, or approximately 2.8%, from HK$51,590,767 for last year to HK$53,047,491 for the year ended 31 December 2019.

Depreciation of right-of-use assets decreased by HK$721,969 or approximately 4.8% due to the reduction of rental space resulted from the relocation of Hong Kong office in May 2018 offset by the rental expenses of the newly acquired Huizhou Hotel. Depreciation of property, plant and equipment decreased by HK$1,750,834 or approximately 30.5% primarily due to the disposal of property, plant and equipment in prior year.

Employee benefit expenses increased by HK$801,016 or approximately 5.0% mainly attributable to the full year effect contributed by the newly acquired Huizhou Hotel and the establishment of brand development team and investment team. Utilities decreased by HK$601,943 or approximately 20.1% mainly attributable to the reduced electricity charge due to government refund during the Year.

Other operating expenses increased by HK$3,730,454 or approximately 32.4% due to the increase in operating costs brought by the newly acquired Huizhou Hotel and the one-off impairment loss of right-of-use assets and property, plant and equipment made during the Year, partially offset by the impact of the cost saving measures adopted by the Group during the Year to lower the operating costs.

The following table shows the total operating costs for the year ended 31 December 2018 and 2019:

	2019	2018
	HK$	*HK$*
Depreciation of right-of-use assets	**14,473,621**	15,195,590
Depreciation of property, plant and equipment	**3,998,391**	5,749,225
Employee benefit expenses	**16,918,232**	16,117,216
Utilities	**2,399,960**	3,001,903
Other operating expenses	**15,257,287**	11,526,833
	53,047,491	51,590,767

Finance costs

The finance costs increased by HK$503,818 to HK$3,626,433 as compared with last year. It mainly represented the lease interest and the interest expenses for the borrowings from China Medical Overseas Limited.

Liquidity and financial resources

During the year ended 31 December 2019, the Group mainly financed its operations and expansion with its own working capital generated internally and borrowings from Current Controlling Shareholder (with principal amount of HK$15,000,000 as at 31 December 2019, unsecured, interest-free and repayable on demand).

As at 31 December 2019, the Group had bank balances and cash of HK$11,200,511 (31 December 2018: HK$27,649,893). Gearing ratio is calculated as the amount of interest-bearing borrowings divided by total equity. The gearing ratio as at 31 December 2019 is N/A (31 December 2018: N/A).

The Group was in net current liabilities position of HK$22,526,095 as at 31 December 2019. The Current Controlling Shareholder has agreed to provide continuing financial support to the Company to enable it to meet its liabilities as and when they fall due and to enable the Company to continue its operations for the foreseeable future. Consequently, the financial statements are prepared on a going concern basis.

Foreign exchange risk

For the year ended 31 December 2019, the Group's majority of the assets and liabilities, and income and expenses were denominated in Renminbi and Hong Kong Dollar. The Group had no significant exposure to fluctuations in exchange rates under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Capital structure

The total number of the issued shares of the Company was 448,363,708 as at 31 December 2019 (31 December 2018: 448,363,708 shares).

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2019 (2018: HK$Nil).

Charges on assets

As at 31 December 2019, the Group did not have any charges on its assets (31 December 2018: Nil).

Capital commitments and contingent liabilities

As at 31 December 2019, the Group had outstanding capital commitments which were not provided for in the Group's financial statements, among which HK$32,356 (31 December 2018: HK$3,636,559) commitments were contracted for.

As at 31 December 2019, the Group had no material contingent liabilities (31 December 2018: Nil).

OUTLOOK

Due to trade friction between the PRC and the United States of America, the global economy has been uncertain while income and consumer sentiment in the PRC have been affected. Nevertheless, the PRC was still experiencing growth and recorded a preliminary growth of gross domestic product of approximately 6.1% in 2019. Shenzhen recorded increase in per capita disposable income of urban residents of around 9% in 2019. The accommodation and catering industry in Shenzhen recorded growth in 2019 as represented by a growth of approximately 11.23% of industry sales amount in Shenzhen for the whole year 2019, based on government statistics.

According to the information of Ministry of Culture and Tourism of the PRC ("**MCT**"), Shenzhen is on the list of 50 key cities for tourism in the PRC in 2019. As mentioned in a research report published by MCT, among various regions where local travel agencies organised tours to during the first three quarters of 2019, Guangdong Province was ranked the first, in terms of number of tourists, in the top ten regions. As regards the average occupancy rate of hotels in Guangdong Province, there has been no material fluctuation for the first three quarters of 2019 as compared with the same period in 2018.

Despite the recent outbreak of respiratory diseases in the area, the Board is optimistic that the tourism industry in the PRC will remain on a strong growth path in medium to long term and considers that the impact of the coronavirus to the accessibility to and tourist activities in the PRC to be temporary. The Board will continue to strive for improvements in the operating results of the Group and to look for investment and expansion opportunities in Guangdong Province including Shenzhen in light of the strong statistic given above. Further, the development of Guangdong-Hong Kong-Macao Greater Bay Area, such as the completion of High Speed Rail (Hong Kong Section), Hong Kong-Zhuhai-Macao Bridge, and other sizeable infrastructure projects, will attract new tourist groups despite an ongoing competitive domestic hotel market, and it is expected that the hotel service market will continue to embrace opportunities in the future.

On top of consolidating the current business operations, the Group will continue to focus on core businesses by developing the principal businesses related to hotel operations, and commit itself to improving its service standard and profitability. Besides utilizing its current strengths to boost its brand power, the Group will actively tap into the network of the new management for hotel acquisition projects, management contracts and co-operative or joint ventures projects to strengthen its operation scale. In exercising caution over project investments, the Group doubles down on its efforts to expand its core business segment. Seizing investment opportunities in the prospective markets, the Group will identify new sources of profitability and growth to safeguard the sustainability of the Group. As mentioned in the Company's announcement dated 24 January 2020, the Company will set up joint venture companies in Chengdu and Wuhan to expand the Group's size of hotel operation. On the other hand, the Group will continue to ride on the policies in effect during this year to continuously optimize its internal procedures and enhance management efficiency. To further achieve breakthroughs in the development momentum, the Group will facilitate the organic growth of its intrinsic corporate values and enhance its business vitality. The objectives will be to improve revenue, operating profit and the number of rooms under management.

CORPORATE GOVERNANCE

The Company is committed to ensuring a high standard of corporate governance in the interests of the shareholders and devotes considerable effort to maintain high level of business ethics and corporate governance practices. The Company has complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2019. The Board will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct for securities transactions by the Directors and relevant employees who, because of their office or employment, are likely to be in possession of unpublished inside information in relation to the Company's securities. The Company had made specific enquiry to all the Directors and such relevant employees and they had confirmed compliance with the Model Code throughout the year ended 31 December 2019. No incident of non-compliance was noted by the Company during this period.

EMPLOYEE AND REMUNERATION POLICIES

The Group had 84 employees (31 December 2018: 92 employees) as at 31 December 2019. Remuneration is determined by reference to market terms and performance, qualifications and experience of each individual employee. Discretionary bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to retirement scheme.

AUDIT COMMITTEE REVIEW

The Group has an Audit Committee which was established for the purposes of, among others, reviewing and providing supervision over the Group's financial reporting process, internal controls and risk management system. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Wu Jilin *(Chairman)*, Mr. Du Hongwei and Ms. Li Zhou. The Audit Committee has reviewed the accounting principles and policies adopted by the Group and has discussed and reviewed the internal controls and financial reporting matters of the Group, including the review of the consolidated annual results of the Group for the year ended 31 December 2019, with the management of the Company and has no disagreement with the accounting treatments adopted.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Company's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by ZHONGHUI ANDA CPA Limited on this announcement.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

The Company's auditor draws attention to note 2 to the consolidated financial statements which mentions that the Group incurred a loss of HK$15,122,045 for the year ended 31 December 2019 and as at 31 December 2019 the Group had net current liabilities of HK$22,526,095. This condition indicates a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The auditor's opinion is not modified in respect of this matter.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the year ended 31 December 2019.

Neither the Company nor any of its subsidiaries had issued or granted any convertible securities, options, warrants or similar rights or exercised any conversion or subscription rights under any convertible securities, options, warrants or similar rights during the year ended 31 December 2019.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting ("**AGM**") of the Company is scheduled to be held on Friday, 22 May 2020. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 18 May 2020 to Friday, 22 May 2020, both days inclusive, during which period no transfer of share of the Company will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares of the Company, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Union Registrars Limited, Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:30 p.m. on Friday, 15 May 2020.

ANNUAL REPORT PUBLICATION

The Company's 2019 Annual Report for the year ended 31 December 2019 containing information required by Appendix 16 of the Listing Rules will be dispatched to shareholders and published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.legend-strategy.com) in due course.

By Order of the Board
Legend Strategy International Holdings Group Company Limited
Yuan Fuer
Chairman

Hong Kong, 14 February 2020

As at the date of this announcement, the Board comprises:

Executive Director:
Mr. Chung Tin Yan

Non-executive Directors:
Mr. Yuan Fuer *(Chairman)*
Mr. Hu Xinglong

Independent non-executive Directors:
Mr. Wu Jilin
Mr. Du Hongwei
Ms. Li Zhou