LEGEND STRATEGY INTERNATIONAL HOLDINGS GROUP COMPANY LIMITED
杋濬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 2023

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 (the "**Group**" or "**we**") for the year ended 31 December 2023 (the "**Year**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	4	**67,661**	63,002
Depreciation of right-of-use assets		**(20,316)**	(21,287)
Depreciation of property, plant and equipment		**(8,847)**	(9,362)
Employee benefit expenses		**(17,722)**	(21,585)
Utilities		**(3,649)**	(3,867)
Other operating expenses	5	**(12,891)**	(19,692)
Fair value (loss)/gain on financial asset at fair value through profit or loss ("**FVTPL**")		**(1,864)**	1,422
Allowance for expected credit loss model on financial assets at amortised cost		**(14,573)**	(208)
Impairment on non-financial assets		**(41,760)**	–
Other income	6	**1,079**	2,861
Operating loss		**(52,882)**	(8,716)
Finance costs	7	**(5,791)**	(7,387)
Loss before tax		**(58,673)**	(16,103)
Income tax expense	8	**(3,095)**	(1,544)
Loss for the year	9	**(61,768)**	(17,647)
Other comprehensive loss:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(99)**	(1,255)
Total comprehensive loss for the year		**(61,867)**	(18,902)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2023

	Note	2023	2022
		HK$'000	*HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(38,178)**	(7,794)
Non-controlling interests		**(23,590)**	(9,853)
		(61,768)	(17,647)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(38,526)**	(10,145)
Non-controlling interests		**(23,341)**	(8,757)
		(61,867)	(18,902)
Loss per share	11		
– Basic *(Hong Kong cents)*		**(8.51)**	(1.74)
– Diluted *(Hong Kong cents)*		**(8.51)**	(1.74)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		**19,927**	35,597
Rental deposits	12	**3,226**	2,146
Goodwill		**–**	1,962
Prepayments		**–**	22
Right-of-use assets		**92,039**	123,618
Deferred tax assets		**2,909**	3,398
		118,101	166,743
Current assets			
Rental deposits	12	**1,197**	2,644
Prepayments, deposits and other receivables	12	**2,303**	4,128
Financial asset at FVTPL		**2,049**	3,913
Trade receivables	13	**1,071**	15,962
Inventories		**384**	344
Bank and cash balances		**2,214**	2,434
		9,218	29,425
Total assets		**127,319**	196,168
Current liabilities			
Trade and other payables	14	**25,778**	38,052
Tax payable		**2,207**	2,671
Lease liabilities		**25,953**	22,572
Borrowings		**27,469**	27,469
		81,407	90,764
Net current liabilities		**(72,189)**	(61,339)
Total assets less current liabilities		**45,912**	105,404

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2023

	2023	2022
	HK$'000	*HK$'000*
Non-current liabilities		
Provision for asset retirement	**477**	463
Lease liabilities	**128,176**	125,815
	128,653	126,278
Net liabilities	**(82,741)**	(20,874)
EQUITY		
Capital and reserves		
Share capital	**4,484**	4,484
Reserves	**(40,832)**	(2,306)
Equity attributable to owners of the Company	**(36,348)**	2,178
Non-controlling interests	**(46,393)**	(23,052)
Capital deficiency	**(82,741)**	(20,874)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations ("**Ints**")) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and accounting principles generally accepted in Hong Kong. In addition, these consolidated financial statements include applicable disclosures required by the Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

These consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at their fair values.

Going concern basis

The Group incurred a net loss of HK$61,768,000 for the year ended 31 December 2023 and, as of that date, the Group had net current liabilities and net liabilities of HK$72,189,000 and HK$82,741,000 respectively. 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 consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the financial support of the Controlling Shareholder and its beneficial owner, at a level sufficient to finance the working capital requirements of the Group and the Controlling Shareholder has undertaken not to demand repayment for the borrowings due by the Group of HK$27,469,000 at 31 December 2023, until the Company can meet all the other obligations. Moreover, The Controlling Shareholder has entered into a financial support agreement with 合正控股集團(深圳)有限公司 which is over 99% owned by its beneficial owner for financial support to the Company. for adequate funds for the Group to meet its liabilities as they fall due and agrees to undertake the unused credit facility of HK$172,531,000 granted by the Controlling Shareholder to the Company, of which HK$200,000,000 will be expired on 27 August 2025.

In addition, the Group obtained consent from non-controlling interests of 成都力之浚酒店管理有限公司 ("**Chengdu Partner**") and 武漢杒浚酒店管理有限公司 ("**Wuhan Partner**") they would not request for immediate repayment for the amount due to Chengdu Partner and Wuhan Partner of HK$10,347,000 and HK$235,000 respectively as at 31 December 2023.

In order to improve the Group's operating performance and alleviate its liquidity risk, management is implementing measures to broaden its revenue base, control costs and limit capital expenditures. Further investments in accommodation operations, provision of consultations and property facilities management services will be made only when the Group has sufficient financial resources after meeting its day-to-day working capital and other capital commitment requirements.

The Directors of the Company are therefore of the opinion that it is appropriate to prepare the consolidated 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 consolidated 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 Directors of the Company have reviewed the Group's cash flow projections. The cash flow projections cover a period of not less than twelve months from 31 December 2023. In the opinion of the Directors of the Company, 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 of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies adopted in these consolidated financial statements for the year ended 31 December 2023 are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2022 except as described below.

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") for the first time, which are mandatory effective for the annual periods beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund – Long Service Payment offsetting mechanism in Hong Kong

In June 2022, the Government of the Hong Kong Special Administrative Region ("**Government**") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 ("**Amendment Ordinance**"), which will come into effect from 1 May 2025 ("**Transition Date**"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("**MPF**") scheme to reduce the long service payment ("**LSP**") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published the captioned accounting guidance relating to the abolition of the offsetting mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has applied the above HKICPA guidance and changed its accounting policy in connection with its LSP liability.

The change in accounting policy in the current year had no material impact on the consolidated financial statements.

Other than disclosed above, the application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

New and amendments to HKFRSs in issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2024
3 Effective for annual periods beginning on or after 1 January 2025

The Directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. OPERATING SEGMENT INFORMATION

Information reported to the Group's management, being the chief operating decision maker ("**CODM**"), for the purpose of resources allocation and performance assessment on revenue analysis by services and geographical location of customers. No other discrete financial information is provided other than the Group's result and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers. All revenue were derived in the PRC for both years.

Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Non-current assets	
	2023	2022
	HK$'000	*HK$'000*
By geographical location		
Hong Kong	**3,036**	1,308
PRC	**108,930**	159,891
	111,966	161,199

Note: Non-current assets excluded financial instruments and deferred tax assets.

3. OPERATING SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of corresponding years individually contributing over 10% of the total revenue of the Group are as follows:

	2023	2022
	HK$'000	*HK$'000*
Customer A	**9,396**	8,348
Customer B	**–**	7,317
Customer C	**–**	7,881

4. REVENUE

Revenue represents the aggregate amount of accommodation operations, provision of consultations and property facilities management services as set out as follows:

	2023	2022
	HK$'000	*HK$'000*
Accommodation operations and provision of property facilities management services	**58,247**	54,654
Provision of accommodation consultations services	**9,414**	8,348
Revenue from contracts with customers	**67,661**	63,002

Performance obligations for contracts with customers

Accommodation operations and provision of property facilities management services

Revenue of accommodation operations and provision of property facilities management services are recognised over time using output method when the service are provided. The Group allows a credit period of 30 to 90 days to travel agents and corporate customers.

Provision of accommodation consultations services

Revenue of accommodation consultations services is recognised at a point in time when the related services are rendered.

When the Group receives a deposit before provision of accommodation consultation services activity, this will give rise to contract liabilities at the start of a contract, until the revenue is recognised. The Group typically receives a deposit on acceptance of contract.

No credit terms are allowed for trade receivables from accommodation consultation services upon the contractual obligation is performed.

5. OTHER OPERATING EXPENSES

	2023	2022
	HK$'000	*HK$'000*
Legal and professional fee	**1,340**	2,782
Building management fee	**1,205**	2,662
Auditors' remuneration	**1,100**	1,740
Selling and advertising expenses	**3,037**	1,445
Accommodation operating costs	**3,808**	4,423
Branch operator early termination fee	**–**	4,054
Repair and maintenance	**936**	641
Others	**1,465**	1,945
	12,891	19,692

6. OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Bank interest income	**4**	10
Food and beverage and other hotel income	**804**	1,243
Government grants *(Note)*	**190**	624
Gain on lease modification	**–**	574
Others	**81**	410
	1,079	2,861

Note: Amount of HK$190,000 (2022: HK$624,000) were relating to exemption of value-added-tax in the PRC in relation to the accommodation operation business.

There were no unfulfilled conditions or contingencies relating to these government grants.

7. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Finance cost on provision for asset retirement	**21**	22
Interest on lease liabilities	**5,770**	7,365
	5,791	7,387

8. INCOME TAX EXPENSE

	2023 HK$'000	2022 HK$'000
Current tax – PRC Enterprise Income Tax		
Provision for the year	**2,672**	2,858
Underprovision in prior year:		
PRC Enterprise Income Tax	**–**	240
Deferred tax	**423**	(1,554)
	3,095	1,544

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

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

9. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2023 HK$'000	2022 HK$'000
Auditors' remuneration for		
– audit services	**900**	900
– non-audit services	**200**	840
	1,100	1,740
Net foreign exchange loss	**18**	58
Impairment loss on non-financial assets		
– Goodwill	**1,858**	–
– Property, plant and equipment	**6,796**	–
– Right-of-use assets	**33,106**	–

10. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company for both years.

11. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of HK$38,178,000 (2022: HK$7,794,000) and the weighted average number of ordinary shares was 448,363,708 (2022: 448,363,708) in issue during the year ended 31 December 2023.

(b) Diluted earnings per share

No diluted earnings per share for both years were presented as there were no potential shares in issue for both years.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Prepayments and deposit paid		
Prepayments	**327**	729
Deposits		
Rental deposits	**4,423**	4,790
Other receivables *(note)*	**1,976**	3,421
Total prepayments, deposits and other receivables	**6,726**	8,940

Analysed for reporting purpose as:

	2023	2022
	HK$'000	*HK$'000*
Non-current	**3,226**	2,168
Current	**3,500**	6,772
	6,726	8,940

Note: As at 31 December 2023, the amount included refundable earnest money of HK$795,000 (2022: HK$1,803,000) paid to 深圳市招華會展實業有限公司 (Shenzhen Zhaohua Exhibition Industrial Limited*) ("**Shenzhen Zhaohua**") for a possible lease of premises under development in Shenzhen, the PRC. During the year ended 31 December 2023, the Directors of the Company determined to cancel the lease and is in negotiation with Shenzhen Zhaohua for the settlement of earnest money paid. The Group had recognised impairment loss of HK$971,000 for the year ended 31 December 2023.

13. TRADE RECEIVABLES

The majority of the Group's revenue transactions from accommodation operations and provision of property facilities management services are made via credit cards, cash or other payment platforms such as Alipay and WeChat Pay. Accommodation rooms are rented to corporate customers with an appropriate credit history on credit terms ranged from 30 to 90 days. No credit terms are allowed for trade receivables from accommodation consultation services. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**14,875**	16,164
Less: Allowance for credit losses	**(13,804)**	(202)
	1,071	15,962

The ageing analysis of the trade receivables, net of allowance for expected credit loss, based on invoice date as of the end of reporting period, is as follows:

	2023	2022
	HK$'000	*HK$'000*
0–30 days	**1,070**	6,795
31–60 days	**–**	2,225
61–90 days	**1**	2,233
91–120 days	**–**	4,260
Over 120 days	**–**	449
	1,071	15,962

The following is the ageing analysis of trade receivables, net of allowance for credit losses, presented based on the past due date:

	2023	2022
	HK$'000	*HK$'000*
Neither past due nor impaired	**1,071**	10,406
1–30 days past due	**–**	4,300
31–60 days past due	**–**	526
61–90 days past due	**–**	470
Over 90 days past due	**–**	260
	1,071	15,962

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$nil (2022: HK$5,556,000) which are past due as at the reporting date. Out of the past due balances, HK$nil (2022: HK$730,000) has been past due 60 days or more.

14. TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**1,529**	992
Accruals and other payables	**24,249**	37,060
	25,778	38,052

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

	2023	2022
	HK$'000	*HK$'000*
0–30 days	**470**	329
31–60 days	**333**	165
61–90 days	**244**	115
Over 90 days	**482**	383
	1,529	992

Accruals and other payables are analysed as follows:

	2023	2022
	HK$'000	*HK$'000*
Accruals		
Accrued staff costs	**3,385**	4,019
Accrued audit and professional fee	**3,791**	2,313
	7,176	6,332
Other payables		
Other tax payables	**1,143**	295
Contract liabilities *(note (i))*	**225**	193
Amounts due to non-controlling interests *(note (ii))*	**10,582**	23,269
Others	**5,123**	6,971
	17,073	30,728
Total accruals and other payables	**24,249**	37,060

Notes:

(i) The Group would collect deposits for corporate customers. Whenever the progress towards complete satisfaction or the relevant performance obligation is passed, such contract liabilities would be derecognised and the respective amount would be recognised as revenue. The balance of contract liabilities is expected to be recognised as revenue in next financial year.

(ii) As at 31 December 2023, the amount represents amounts due to Chengdu Partner and Wuhan Partner of HK$10,347,000 and HK$235,000 (2022: HK$12,471,000 and HK$10,798,000) respectively. The amounts are unsecured, interest-free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW FOR 2023

The Group is principally engaged in accommodation operations, provision of accommodation consultations and property facilities management services and other related business. The Group has five leased-and-operated accommodation projects under operation during the Year. Revenue from accommodation operations during the Year was mainly derived from rental of accommodation and conference facilities and provision of property facilities management and accommodation consultations services.

With the gradual reduction of the impact of the COVID-19 pandemic in the first half of 2023 and the reopening of China's borders with other international regions, the hotel business is expected to gradually improve. However, the hotel business is still affected by the unstable Chinese and global economy and geopolitical situation. Faced with such complex and severe situation, the Group maintains a cautious and proactive attitude around its main business, by the way enhancing its core competitiveness, grasping macro-environmental trends and market developments, seizing opportunities in the recovery of the tourism industry and the increasing consumer willingness to spend, adjusting business strategies, expanding and developing personalized accommodation products and management services, accelerating store openings, upgrading brands and products, optimizing member benefits, enhancing experience and efficiency, forming a well-structured, distinctive and clear hotel brand matrix, and achieving performance growth. On this basis, the Group also takes advantage of the situation, overcomes difficulties, promotes integration, strengthens management, controls costs, reduces expenses, and promotes the sustainable and high-quality development of the enterprise.

Accommodation operations business

With respect to the accommodation operation, for the year ended 31 December 2023, the revenue was HK$58,247,000, representing an increase of approximately 6.57% as compared with the last financial year. The increase in revenue was mainly attributable to the growth in the accommodation business of the Group, which was driven by the accelerated recovery of various industries and the further stabilization of the overall improving fundamentals in light of the effective domestic pandemic prevention and control measures and other favorable policies, in particular when the tourism market rebounded gradually, evidenced by the resumption of cross-province traveling frequency to the pre-pandemic level, as well as a significant increase in resident travel radius, length of stay, and leisure travel radius.

Despite the Group recorded an increase in revenue as compared to the last financial year, the Group continued to dedicate itself to improving the performance of its existing accommodation projects and stimulating its property facilities management and accommodation consultations services by implementing effective sales and marketing plans, including entering into cooperation agreements with new tourism intermediaries and actively liaising with various corporate customers. The Group also continued to adopt a series of operation improvement schemes during the Year such as improving accommodation ancillary facilities and implementing staff performance programs. By seeking customers' feedback from time to time, reviewing comments available from online travel agencies and their platforms, as well as actively carrying out improvement plans to increase service quality, customers' satisfaction and employees' morale, in order to boost up revenue and improve performance in all aspects.

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

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

Accommodation projects under operations

Chengdu Branch

Chengdu Branch is situated near Tianfu Square. It has two floors and a total gross floor area ("**GFA**") of approximately 7,600 sq.m.. As located at the heart of Chengdu, Tianfu Square is a representative landmark, which is not only the economic, cultural, and commercial center of Chengdu, but also a strategically important transportation hub. Adjacent to famous tourist sites, including People's Park, Wuhou Shrine, Kuanzhai Alley, Chunxi Road Pedestrian Street, and the millennium ancient temple Daci Temple, the Chengdu branch gains full access to the golden business district of Tianfu Square, while overlooking Sichuan Provincial Library, Chengdu Museum, Tianfu Square, and other new landmarks in the city. Due to easily accessible transport services, accommodation guests can reach tourist attractions by express shuttle buses or multiple bus routes nearby the branch. It is an one-minute walk to Metro Lines 1 and 2 (Tianfu Square Station), and an approximately five-minute walk to the airport bus stop. In addition, drives from Chengdu Shuangliu International Airport, Chengdu East Railway Station and Chengdu South Railway Station take within 30 minutes. Furthermore, the branch is in close proximity to various gourmet restaurants.

Chengdu as a famous domestic tourist city, at a result of the resumption of normal cross-border traffic between mainland China and Hong Kong, local economic and livelihood activities were quickly restored. With the increasing momentum of economic recovery in Chengdu and the steady rebound in tourism consumption confidence, coupled with the Group's flexible and rapid approach in adjusting its operational strategies, business of the Chengdu Branch recorded exceptional growth during the Year. It is expected that the Chengdu Branch will generate sustainable and stable income for the Group in the future.

Wuhan Branch

Located at the intersection of Lingyun Road and Lingkonggang Avenue in Municipal East-West Lake Lingkonggang Economic Development Zone, the Wuhan Branch has five floors and a total GFA of approximately 9,000 sq.m.. It is adjacent to East-West Lake Five-Ring Sports Center and the new district government building. It is also close to the East-West Lake Eco-tourism Zone, Matoutan Cultural Heritage Park, Xiehe East-West Lake Hospital and Huangshihai Park. It is a within nine-minute drive to Sandian Metro Station and Matoutan Metro Station. It is 200 meters away from the bus station of Lingyun Road East, 21 kilometers away from Wuhan Tianhe Airport and 15 kilometers away from Hankou Railway Station, which makes it very convenient to travel around.

As a major transportation hub in China, mainland China has further consolidated its achievements in epidemic prevention and control as well as economic recovery. This has led to the release of various pent-up demands in Wuhan city. Companies engaging in cross-province and cross-city activities have stabilized and begun to recover. Wuhan Branch, taking into account the current situation, has strengthened management in operational upgrades, revenue marketing, and cost optimization since its opening despite the fact that the performance of large commercial complexes and other business activities of the surrounding area has yet to improve. It has steadily operated and achieved expected results.

Huizhou Branch

Huizhou Branch is 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 China. Xunliaowan offers our guests 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.

Benefiting from the resumption of normal cross-border traffic between mainland China and Hong Kong, the industry is noticeably on the trajectory of recovery as the popularity of travel among tourists continues to rise. Given the popularity of Huizhou Branch gained from previous years and with the commitment to the development of the Greater Bay Area of the Chinese Government, the Group looks forward to the increasing number of guests visiting the region which will boost the performance of Huizhou Branch in the long run.

Nanshan Branch

Nanshan Branch 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. The Branch is located just beside the subway exit of Nanshan Station of Shenzhen Metro Line No. 11 and it takes approximately 30 minutes to travel from Nanshan Branch to the airport. Also, Nanshan Branch is in the proximity of 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 convenient location and stable demand for temporary accommodation from both business and tourism guests.

As mentioned in the Company's announcement dated 28 December 2023, an indirectly wholly-owned subsidiary of the Company as tenant and the landlord entered into a supplemental tenancy agreement in respect of the renewal of the tenancy of the properties on which Nanshan Branch operates till 30 June 2026.

Nanshan Branch sought transformation through innovation and continued to introduce various types of accommodations to attract consumers, such as e-sports rooms and other special arrangements, thus increasing customer base and the satisfaction level of accommodation guests. Given an orderly recovery of the domestic tourism market, a stronger consumer sentiment, and an increasing demand for commercial activities such as exhibitions and training, the operating result of Nanshan Branch continued to improve, with an increase in revenue over the last financial year. The Group will continue to review its marketing strategies and re-examine the model of cooperation and sales plans with tourism intermediaries and corporate customers in order to improve its revenue in the long run.

Baoan Branch

Baoan Branch has four floors and a total GFA of approximately 1,700 sq.m., comprising 46 rooms. Surrounded by prosperous commercial streets and pedestrian streets, the Branch is located at the central area of administration, culture, sport, commerce and entertainment in the Baoan District, "a core district of the Bay Area", and is within close proximity of Haiya Mega Mall, a famous commercial center in Shenzhen, and Baoan Sports Center, the largest gymnasium in Shenzhen where the 2011 Summer Universiade was held. It is a 20-minute drive from the Baoan International Airport, and takes within 10 minutes walk from the Coach Terminal, the Xixiang Pier, and Lingzhi Station of Shenzhen Metro Line 5 (near Lingzhi Park). It has convenient access to efficient road, sea and air transportation.

Benefiting from the overlapping effects of the accommodation improvements brought about by the comprehensive renovation in recent years and the rebound in the tourism industry, revenue from the accommodation business of the Baoan Branch also increased.

Project in the pipeline

Baoan exhibition project

The Baoan exhibition project is located in the Exhibition Bay Li An Square (會展灣裡岸廣場) in Baoan Airport New City, Shenzhen, and adjacent to Baoan International Airport, Shenzhen World Convention & Exhibition Center and the coastline of Guangdong-Hong Kong-Macao Greater Bay Area, with a GFA of approximately 9,583 square meters. Upon completion, the project, which can provide 144 guest rooms, will be mainly used for the relevant operation of hotel rooms and catering and supporting projects. The all-inclusive international exhibition supporting facilities of Exhibition Bay Li An Square fully satisfy the needs of businesses, hotels and parks. Equipped with approximately 190,000 square meters of a shopping center Garden World (花園天地), the project also provides approximately 16,000 square meters of sunken coffee and-cocktail-bar-themed commercial facilities, building an upscale entertainment and leisure platform, and creating a bustling lifestyle center in an international metropolis.

Shenzhen Zhaohua Exhibition Industry Company Limited. ("**Shenzhen Zhaohua**") is a limited company established in China by China Merchants Shekou Industrial Zone Holdings Co., Ltd. and Shenzhen Overseas Chinese Town Co., Ltd., each holding approximately 50% of the shares. As the owner of the Baoan exhibition project, Shenzhen Zhaohua was originally scheduled to deliver the property to the Group by the end of 2023. However, due to Shenzhen Zhaohua's failure to complete the construction and acceptance of the property and deliver it to the Group as agreed before the delivery deadline, and in light of the changes in the economy, business environment, and ecology of the area over time, the Group has also periodically updated the commercial investment return assessment of the project accordingly. After careful consideration, the Group believes that the latest forecasted return of the project does not meet its requirements, and shall propose to cease waiting for the property that has not been delivered on time. Therefore, after negotiations, the Group and Shenzhen Zhaohua have reached a consensus to terminate the contract. The Group has claimed for a full refund of the previously paid deposits and guarantees, formally withdrawing from the project and reallocating resources for other promising projects, while continuing to develop the accommodation business in an organized manner in line with economic conditions.

Property facilities management and accommodation consultations services

The Group continued to explore ways to broaden and stabilise its revenue base and source of income as well as to improve the performance of the Group such as the provision of property facilities management and accommodation consultations services which are considered to be less impacted by the pandemic. For facilities management services, the Group provided property facilities outsourcing management services such as professional cleaning, sterilisation, inventory supply management and quality management to third party customers. For accommodation consultations services, the Group provides consultations services for setting up accommodations, guesthouses, inns, resorts, apartments, elderly apartments, hostels, homestays, dormitories, staff quarters and other accommodation projects, such as performing market research and investment feasibility analysis, provision of accommodation construction and design consultations services and accommodation planning, opening and construction management services to customers.

During the Year, the Group strengthened its business operations involving property facilities management and accommodation consultations services, which are expected to continuously contribute to the performance of the Group. In the foreseeable future, we expect to expand further the property facilities management services to residential property management services, and popularise high-standard property facilities management services to the general community, so as to optimize the business portfolio, enlarge revenue base and create values for shareholders.

FINANCIAL REVIEW

For the Year, the Group recorded revenue of HK$67,661,000, compared with HK$63,002,000 for the last financial year, representing an increase of approximately 7.40%. The Group recorded a total comprehensive loss of HK$61,867,000 for the Year compared with HK$18,902,000 for the last financial year, representing an increase of approximately 227.30%.

The following table shows the key information of all the Group's leased-and-operated accommodation rooms for the years ended 31 December 2023 and 2022 respectively.

	2023	2022
Total available room nights	**235,045**	237,250
Occupancy rate	**74.38%**	66.54%
ARR *(RMB)**	**312.2**	273.6
RevPAR *(RMB)*#	**232.2**	182.0

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

RevPAR: the room revenue of all accommodation rooms divided by the total available room nights

For the Year, total available room nights of the Group decreased by 2,205 nights or approximately 0.93% as compared with last financial year due to internal renovation work of certain rooms of the Year. The occupancy rate and RevPAR of the Group increased by 7.84% and RMB50.2 or approximately 27.58% respectively as compared with last financial year, mainly due to strong rebound and in demand of domestic tourism industry.

Operating costs

The total operating costs decreased by HK$12,368,000, or approximately 16.32%, from HK$75,793,000 for last financial year to HK$63,425,000 for the Year. The decrease is mainly attributable to the following reasons:

Depreciation of right-of-use assets decreased by HK$971,000 or approximately 4.56% due to the rent reduction regarding lease modification of Baoan Branch, Wuhan Branch and Chengdu Branch. Depreciation of property, plant and equipment decreased by HK$515,000 or approximately 5.50%, primarily due to certain property, plant and equipment fully depreciated in prior Year.

Employee benefit expenses decreased by HK$3,863,000 or approximately 17.90% mainly attributable to the effective employee management adopted during the year. Meanwhile, utilities decreased by HK$218,000 or approximately 5.64%.

Other operating expenses decreased by HK$6,801,000 or approximately 34.54% mainly because one-off expenses incurred regarding the early termination of operator contract of Chengdu Branch and Wuhan Branch in prior year.

The following table shows the total operating costs for the financial years ended 31 December 2023 and 2022:

	2023	2022
	HK$'000	*HK$'000*
Depreciation of right-of-use assets	**20,316**	21,287
Depreciation of property, plant and equipment	**8,847**	9,362
Employee benefit expenses	**17,722**	21,585
Utilities	**3,649**	3,867
Other operating expenses	**12,891**	19,692
	63,425	75,793

Finance costs

The finance costs decreased by HK$1,596,000 to HK$5,791,000 as compared with last financial year. The decrement is mainly due to repayment of lease liabilities during the Year, therefore interest expense is relatively reduced.

Liquidity and financial resources

During the Year, the Group mainly financed its operations and expansion with its own working capital generated internally and borrowings from the Controlling Shareholder (with principal amount of HK$27,469,000 as at 31 December 2023, which are unsecured, interest-free and repayable on demand).

As at 31 December 2023, the Group had bank and cash balances of HK$2,214,000 (31 December 2022: HK$2,434,000). Gearing ratio is calculated as the amount of interest-bearing borrowings divided by total equity. The gearing ratio as at 31 December 2023 was N/A (31 December 2022: 9,031%).

The Group was in net current liabilities and net liabilities position of HK$72,189,000 and HK$82,741,000 as at 31 December 2023. The 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, 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

For the Year, there was no material change to the capital structure of the Group and information disclosed in the report of the Company for the year ended 31 December 2023. The total number of the issued shares of the Company was 448,363,708 as at 31 December 2023 (31 December 2022: 448,363,708 shares).

Dividends

The Directors do not recommend the payment of dividend in respect of the Year (2022: Nil).

Charges on assets

As at 31 December 2023, the Group did not have any charges on its assets (31 December 2022: Nil).

Capital commitments and contingent liabilities

As at 31 December 2023 and 2022, the Group had no outstanding capital commitments.

As at 31 December 2023 and 2022, the Group had no material contingent liabilities.

Significant investment held, material acquisitions or disposals of subsidiaries, associates and joint ventures, and future plans for material investments or capital assets

As mentioned in the Company's announcement dated 28 December 2023, an indirectly wholly-owned subsidiary of the Company as tenant and the landlord entered into a supplemental tenancy agreement (the "**2023 Supplemental Tenancy Agreement**") in respect of the renewal of the tenancy of the properties on which Nanshan Branch operates (the "**Premises**") until 30 June 2026.

Pursuant to Hong Kong Financial Reporting Standard 16 "Leases", the Group, as tenant, shall recognize an asset representing its right to use the Premises in the amount of approximately RMB15.15 million calculated with reference to the present value of the fixed rental payments as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate during the extended term of the tenancy of the Premises pursuant to the 2023 Supplemental Tenancy Agreement. As such, the transaction contemplated under the 2023 Supplemental Tenancy Agreement will be regarded as an acquisition of asset by the Group for the purpose of the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Save as disclosed above, there were no significant investments held, or material acquisition or disposal of subsidiaries, associates or joint ventures by the Group during the Year, and the Company does not have any future plan for material investments or capital assets as at the date of this announcement.

OUTLOOK

Under the challenging business environment, the Group will continue to actively strengthen the foundation of its principal businesses and build brand synergy. The accommodation operations recorded a significant improvement due to the increasing customer base and scale of operation of Chengdu Branch and Wuhan Branch. At the same time, the Group will also continue to focus on accommodation projects and accommodation consultation and management services and provide diversified and quality products and services in a targeted manner such as hostels, elderly apartments and elderly resorts in order to expand its market share and achieve overall growth in 2024.

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 Part 2 of Appendix C1 (formerly known as Appendix 14) to the Listing Rules throughout the Year. The Board will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

COMPLIANCE WITH THE 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 C3 (formerly known as 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. No incident of non-compliance was noted by the Company during the Year.

EMPLOYEE AND REMUNERATION POLICIES

The Group had 94 employees (31 December 2022: 120 employees) as at 31 December 2023. During the Year, the total staff costs (including Directors' emoluments) were HK$17,722,000 (2022: HK$21,585,000). Remuneration is determined with 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 (the "**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 Mr. Lam Cheung Shing Richard. 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 annual results of the Group for the Year, with the management of the Company and has no disagreement with the accounting treatments adopted.

FINANCIAL INFORMATION

The financial information in this announcement does not constitute the Group's consolidated financial statements for the year ended 31 December 2023, but represents an extract from those consolidated financial statements. The final results of the Group for the year ended 31 December 2023 have been reviewed by the Audit Committee of the Company.

Scope of work of HLB Hodgson Impey Cheng Limited

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

The following is an extract of HLB Hodgson Impey Cheng Limited's report on the Group's consolidated financial statements for the year ended 31 December 2023.

We draw attention to Note 1 of the result announcement, which indicates that the Group incurred a loss of HK$61,768,000 for the year ended 31 December 2023 and as at 31 December 2023, the Group had net current liabilities and net liabilities of HK$72,189,000 and HK$82,741,000 respectively. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our 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.

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.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting ("**AGM**") of the Company is scheduled to be held on Monday, 27 May 2024. Notice of the AGM will be published and issued to the shareholders of the Company in accordance with the Listing Rules in due course.

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 22 May 2024 to Monday, 27 May 2024, both days inclusive, during which period no transfer of shares 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, at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 21 May 2024.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.legend-strategy.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2023 will be made available on the above mentioned websites in accordance with the requirements of the Listing Rules in due course.

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

Hong Kong, 25 March 2024

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

Executive Director:
Mr. Chung Tin Yan *(Chief Executive Officer)*

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

Independent non-executive Directors:
Mr. Wu Jilin
Mr. Du Hongwei
Mr. Lam Cheung Shing Richard

* *For identification purpose only*