

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained herein is incomplete and is subject to change. This web proof information pack must be read in conjunction with the section headed “Warning on the cover of this web proof information pack.

HISTORY AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Business milestones

The following chart sets forth the business milestones of the Group:

Year		Event/Milestone
2006	November	Mr. Fong commenced setting up of the budget hip hotel business in the PRC
	December	Welcome Inn Caitian commenced operation
2007	March	Moon Ko was incorporated in Hong Kong
	March	Triple Leaf was incorporated in Hong Kong
	May	Legend Strategy was incorporated in Hong Kong
2008	April	Welcome Inn Baoan commenced operation
	May	Welcome Inn Nanshan commenced operation
	November	Welcome Inn Luohu commenced operation
2009	October	The Group obtained ISO 9001:2008 certification
	December	The Group started to provide hotel consultancy services to hotel investors who are Independent Third Parties
2010	November	The Group entered into the 1506 CC Strategic Agreement with 1506 CC, a Chinese industry park developer and operator
2011	March	The Group entered into the Shu Yong Strategic Agreement with Mr. Shu Yong, an international contemporary artist

Business development

Mr. Fong started the Group’s business in 2006. Prior to the establishment of the Group, Mr. Fong had operated interior design business in Hong Kong for about seven years. In 2006, Mr. Fong started to set up budget hip hotel business in the PRC and design hotels for business travellers and tourists in the PRC. The Group’s existing leased-and-operated hotels are located in Shenzhen, a business centre in the southern region of the PRC.

HISTORY AND CORPORATE STRUCTURE

In December 2006, Mr. Fong incorporated Yuelai Inn Tourists, a wholly foreign owned enterprise in Shenzhen, to operate Welcome Inn Caitian. Welcome Inn Caitian commenced operation on 11 December 2006, which occupies an area with a total GFA of approximately 2,000 sq.m. with 87 rooms to accommodate a maximum of 274 hotel guests under the brand name of Welcome Inn (悅來客棧). Welcome Inn Caitian targets tourists and business travellers with a limited budget. Welcome Inn Caitian achieved an annual occupancy of approximately 75.5%, 68.5%, 78.8% and 96.1% for the years 2007, 2008, 2009 and 2010 respectively.

On 15 March 2007, Triple Leaf was incorporated in Hong Kong by Mr. Fong together with investors introduced by Mr. Wong. On 28 May 2007, Legend Strategy was established and owned as to 85% and 15% respectively by Lai Ying, a wholly-owned company of Mr. Fong, and Triple Leaf. Mr. Wong was appointed as a director of Legend Strategy to assist Mr. Fong to identify investors to invest in the Group’s hotel business.

Following the establishment of Legend Strategy, Mr. Fong transferred all his interests in Yuelai Inn Tourists to Legend Strategy on 16 November 2007 at a consideration of HK\$8,000,000, which was the paid up registered capital of Yuelai Inn Tourists and determined on an arm’s length basis.

Upon the accession of Mr. Wong, the Group managed to raise funds for the development of the hotel business through Mr. Wong’s connections and relationships. The Group began to expand its hotel portfolio in Shenzhen in 2008.

On 30 May 2008, Welcome Inn Nanshan commenced operation, which occupies an area with a total GFA of approximately 7,000 sq.m. with 192 hotel rooms to accommodate a maximum of 651 hotel guests. On 30 May 2008, Yingde Tourists was established as a foreign wholly owned enterprise in Shenzhen by Mr. Fong to operate Welcome Inn Nanshan.

In August 2007, the Group began to develop Welcome Inn Baoan in the Baoan District of Shenzhen. Welcome Inn Baoan commenced operation on 25 April 2008. The Group established Modern Tourists on 25 April 2008 to operate Welcome Inn Baoan. Welcome Inn Baoan occupies an area with a total GFA of approximately 1,700 sq.m., with 59 hotel rooms to accommodate a maximum of 204 hotel guests.

On 1 March 2007, Mr. Fong and Dr. Pradit Sintavanarong (“**Dr. Pradit**”), an independent investor established Moon Ko in Hong Kong. Moon Ko was owned as to 60% by Mr. Fong and 40% by Dr. Pradit. On 26 November 2008, Moon Ko and Yuelai Inn Tourists formed a Sino-foreign joint venture, Yuelai Inn, to operate Welcome Inn Luohu. Welcome Inn Luohu commenced operation on 26 November 2008 and occupies an area with a total GFA of approximately 2,000 sq.m., with 80 hotel rooms to accommodate a maximum of 265 hotel guests.

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained herein is incomplete and is subject to change. This web proof information pack must be read in conjunction with the section headed “Warning on the cover of this web proof information pack.

HISTORY AND CORPORATE STRUCTURE

In response to the rapid growth of the Group’s budget hip hotel business, the Group adopted standardised work procedures and a comprehensive quality management system to maintain high quality services to the customers. On 16 October 2009, the Group was awarded ISO 9001:2008 certification in respect of the quality in its work and management system.

In order to maximise return for the Group, the Group started to provide professional hotel consultancy services to hotel investors who are Independent Third Parties since December 2009. Up to the Latest Practicable Date, the Group had entered into five hotel consultancy agreements with three hotel investors for the provision of hotel consultancy services for Da Mei Sha Hotel, WBT Hotel, Gaomiao Hotel, Zhongxin Hotel and South China Hotel. These hotel investors are Independent Third Parties who do not have any relationship with the Group other than entering into the hotel consultancy agreements with the Group. The provision of hotel consultancy services for Da Mei Sha Hotel, WBT Hotel, Gaomiao Hotel and Zhongxin Hotel has been completed. The Company is in the process of site selection for South China Hotel.

In November 2010, the Group entered into the 1506 CC Strategic Agreement with 1506 CC. Pursuant to the 1506 CC Strategic Agreement, 1506 CC will give priority to the Group as the hotel service providers of 1506 CC’s creative industry parks in the PRC during the three years’ term of the 1506 CC Strategic Agreement. As at the Latest Practicable Date, 1506 CC has developed a theme park named “1506 Creative City (1506 創意城)” (the “**Creative City**”) which is located at Foshan within the centre of the Pearl River Delta of the PRC.

In March 2011, the Group entered into the Shu Yong Strategic Agreement with Mr. Shu Yong, who shall provide advice to the Group on the decoration of the Group’s hotels design or produce masterpiece for these hotels or advise the Group on sourcing of masterpiece. He shall act as an organiser in sourcing and providing work of art to the Group’s hotels.

CORPORATE HISTORY

Legend Strategy International

Legend Strategy International was incorporated as a limited company in BVI on 15 December 2010 with an authorised share capital of US\$50,000 and is wholly-owned by Mr. Fong.

On 23 March 2011, as part of the Reorganisation, Mr. Fong transferred 1 share, being his entire interest in Legend Strategy International to the Company at par value of US\$1.00 each.

HISTORY AND CORPORATE STRUCTURE

Lai Ying

Lai Ying is a limited company incorporated in Hong Kong on 13 April 2007 by Mr. Fong with an issued share capital of HK\$1.00 at the date of incorporation, and the issued share capital was increased to HK\$10,000 on 5 May 2007, while Mr. Fong was the sole shareholder and director of Lai Ying. Lai Ying is an investment holding company holding 65% shareholding interests in Legend Strategy immediately before the Reorganisation.

Triple Leaf

Triple Leaf was incorporated in Hong Kong on 15 March 2007 with an issued share capital of HK\$1,000. Triple Leaf is an investment holding company formed by Mr. Fong together with individual investors and was holding 14% shareholding interests in Legend Strategy immediately before the Reorganisation. These individual investors, namely, Mr. De Weyer, Jiang Wen, Markus Rall, Qiu Wen and Kan Yau Shan, had invested HK\$684,000, HK\$190,000, HK\$190,000, HK\$190,000 and HK\$190,000 respectively for their shareholding interests in Triple Leaf. The shareholding structure of Triple Leaf immediately prior to the Reorganisation is set out as follows:

Shareholders of Triple Leaf	Shareholding (%)
Mr. De Weyer	34.2%
Mr. Fong	27.8%
Jiang Wen	9.5%
Markus Rall	9.5%
Qiu Wen	9.5%
Kan Yau Shan	9.5%
	<hr/>
	100%

Legend Strategy

Legend Strategy is the holding company of the four Group companies operating the four leased-and-operated hotels of the Group and is also engaged in the provision of hotel consultancy services. It was incorporated on 28 May 2007 in Hong Kong and owned as to 85% by Lai Ying and 15% by Triple Leaf. Mr. Fong and Mr. Wong were the directors of Legend Strategy at the time of its establishment. In November 2008, Lai Ying and Triple Leaf transferred their 85% and 15% shareholding interests in Legend Strategy to Mr. Fong and Mr. Wong at the considerations of HK\$8,500 and HK\$1,500, respectively, and such shareholding interests were transferred back to Lai Ying and Triple Leaf at the same considerations in November 2009. For the period between 24 November 2009 and 20 October 2010, individual investors were invited to invest in the Group. These individual investors, namely, Mr. De Weyer, Ho Yin Man, Carmen, Qiu Wen, Tuo Wei Wei and Wang Huaner, had invested HK\$2,550,000, HK\$850,000, HK\$1,700,000, HK\$850,000 and HK\$850,000 respectively for their shareholding interests in Legend Strategy, representing HK\$850,000 for every 1% interest in Legend Strategy. All these individual investors’

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained herein is incomplete and is subject to change. This web proof information pack must be read in conjunction with the section headed “Warning on the cover of this web proof information pack.

HISTORY AND CORPORATE STRUCTURE

investments were irrevocably settled by 20 October 2010 and were used as general working capital for the development of the Group’s business. Accordingly, Lai Ying and Triple Leaf transferred their shares in Legend Strategy to the individual investors. The investment cost per Share of the individual investors was approximately HK\$0.63, which was determined on an arm’s length basis with reference to the then book value of Legend Strategy. There were no special rights attached to the shares held by these individual investors and no lock-up arrangements in respect of these shares.

Pursuant to a share transfer agreement dated 17 November 2010 entered into among Lai Ying, Mr. Qiu, Legend Strategy, Triple Leaf, Mr. Fong, Mr. Wong and 佛山創意產業園投資管理有限公司 (Foshan Creative Production Garden Investment Management Company Limited*) (the “**Investment Agreement**”), Mr. Qiu acquired 8% shareholding interests in Legend Strategy from Lai Ying at a consideration of HK\$4,800,000. Pursuant to a supplemental agreement signed by the same parties on 18 March 2011, the share transfer agreement was amended to remove certain protections of Mr. Qiu including, among others, (i) his right to appoint a director; (ii) undertakings to list and to complete Reorganisation before designated long-stop dates; (iii) warranties on certain audit figures, liabilities, litigations and compliance issues of the target group; and (iv) his pre-emptive rights to subscribe the shares of Legend Strategy. Subject to the above, it is not considered that the supplemental agreement affected Mr. Qiu’s legal ownership of the shares in Legend Strategy and that his risks and rewards in Legend Strategy had been affected since the signing of the share transfer agreement dated 17 November 2010. The investment by Mr. Qiu was irrevocably settled on 19 November 2010 and was used as the Group’s general working capital. The investment costs per Share of Mr. Qiu was approximately HK\$0.44, which was determined on an arms’ length basis with reference to the then earnings and performance of Legend Strategy. Pursuant to the Investment Agreement, Mr. Qiu’s 8% shareholding interests in Legend Strategy does not bear any special rights and is not subject to any lock-up arrangements.

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained herein is incomplete and is subject to change. This web proof information pack must be read in conjunction with the section headed “Warning on the cover of this web proof information pack.

HISTORY AND CORPORATE STRUCTURE

The table below sets out the details of investments by each of the individual investors:

Name of investor	Date of investment	Amount of consideration paid	Payment date of the consideration	Approximate cost per Share paid	Use of proceeds from the investment
Mr. Qiu	17 November 2010	HK\$4,800,000	19 November 2010	HK\$0.44	Working capital of the Group
Mr. De Weyer	(i) 28 May 2007 (ii) 15 July 2008 (iii) 20 October 2010	(i) HK\$570,000 (ii) HK\$114,000 (iii) HK\$2,550,000	(i) 28 May 2007 (ii) 15 July 2008 (iii) 20 October 2010	HK\$0.31	Working capital of the Group
Qiu Wen	(i) 28 May 2007 (ii) 3 February 2010	(i) HK\$190,000 (ii) HK\$1,700,000	(i) 28 May 2007 (ii) 3 February 2010 and 29 March 2010	HK\$0.42	Working capital of the Group
Tuo Wei Wei	3 February 2010	HK\$850,000	3 February 2010	HK\$0.63	Working capital of the Group
Ho Yin Man, Carmen	3 February 2010	HK\$850,000	3 February 2010	HK\$0.63	Working capital of the Group
Wang Huaner	7 May 2010	HK\$850,000	7 May 2010	HK\$0.63	Working capital of the Group
Jiang Wen	28 May 2007	HK\$190,000	28 May 2007	HK\$0.11	Working capital of the Group
Markus Rall	28 May 2007	HK\$190,000	28 May 2007	HK\$0.11	Working capital of the Group
Kan Yau Shan	28 May 2007	HK\$190,000	28 May 2007	HK\$0.11	Working capital of the Group

Note: The above investors are independent of and not connected with each other.

Mr. Qiu is a real estate developer in the PRC. Ho Yin Man, Carmen is a merchandiser of garment products in Hong Kong. Qiu Wen is an investor relationship officer of a mining company in Hong Kong. Tuo Wei Wei is a property sales agent in Hong Kong. Wang Huaner is a manager of an information technology company in the PRC. Jiang Wen is a manager of a knitting factory in the PRC. Markus Rall is a member of the executive board of a company carrying on business of manufacturing offset printing presses in Germany. Kan Yau Shan is one of the owners of a company carrying on the business of property development in Hong Kong. All of them were individual investors to the Group’s business. Other than the fact that they are shareholders of Legend Strategy or Triple Leaf, they do not, whether present or past, have any relationship with the Group, its other shareholders, directors, senior management and their respective associates. They are not engaged in hotel development and operation business.

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained herein is incomplete and is subject to change. This web proof information pack must be read in conjunction with the section headed “Warning on the cover of this web proof information pack.

HISTORY AND CORPORATE STRUCTURE

After these share transfers, immediately before the Reorganisation, the shareholding structure of Legend Strategy was as follows:

Shareholders of Legend Strategy	Shareholding (%)
Lai Ying	65%
Triple Leaf	14%
Mr. Qiu	8%
Mr. Fong	5%
Mr. De Weyer	3%
Qiu Wen	2%
Ho Yin Man, Carmen	1%
Tuo Wei Wei	1%
Wang Huaner	1%
Total	<u>100%</u>

In March 2011, a total sum of HK\$9,990,000 was injected into Legend Strategy by its then shareholders in proportion to their then shareholdings. On 1 March 2011, the authorised share capital of Legend Strategy was increased from HK\$10,000 to HK\$15,000,000 and a total of 9,990,000 shares of Legend Strategy were issued and allotted to the respective shareholders in proportion to their shareholding interests. The shareholding structure of Legend Strategy remained unchanged after the allotment of new shares.

Moon Ko

Moon Ko is a limited company incorporated in Hong Kong by Mr. Fong and Dr. Pradit on 1 March 2007 with an issued share capital of HK\$8,750,000. At the time of its incorporation, Mr. Fong and Dr. Pradit were the only directors and shareholders holding 60% and 40% shareholding interests in Moon Ko, respectively. Other than being a director and shareholder of Moon Ko, there is no relationship, whether present or past, between Dr. Pradit and the Group, its shareholders, directors, senior management and their respective associates.

Moon Ko was established as an investing vehicle to form, with Yuelai Inn Tourists, a Sino-foreign joint venture, Yuelai Inn, to operate Welcome Inn Luohu.

Pursuant to an agreement dated 16 September 2010, Mr. Fong paid the independent investor a sum of HK\$3,400,000 and on 22 December 2010, the independent investor transferred his 40% shareholding interests in Moon Ko to Legend Strategy. The consideration of HK\$3,400,000 was determined after taking into account of the registered capital of Moon Ko and the relevant transaction costs. On 22 December 2010, Mr. Fong transferred the remaining 60% shareholding interests in Moon Ko to Legend Strategy at a consideration of HK\$1.00. As a result, Legend Strategy became the sole beneficial owner of Moon Ko.

HISTORY AND CORPORATE STRUCTURE

Ablewise

Ablewise is a BVI company set up by Mr. Fong on 20 September 2005. On 28 May 2007, Mr. Fong transferred 1 share with a par value of US\$1.00 each being his entire shareholding interests in Ablewise to Legend Strategy on an arms’ length basis. After the share transfer, Ablewise became a wholly-owned subsidiary of Legend Strategy.

Yuelai Inn Tourists

On 11 December 2006, Yuelai Inn Tourists was established as a wholly foreign owned enterprise in the PRC by Mr. Fong with a registered capital of HK\$8,000,000. Yuelai Inn Tourists is the operator of Welcome Inn Caitian.

On 16 November 2007, Mr. Fong transferred his entire equity interests in Yuelai Inn Tourists to Legend Strategy for a consideration of HK\$8,000,000, which was its paid up registered capital and determined on an arms’ length basis.

Yingde Tourists

On 30 May 2008, Yingde Tourists was established as a wholly foreign owned enterprise in the PRC by Mr. Fong with a registered capital of HK\$8,000,000. Yingde Tourists is the operator of Welcome Inn Nanshan.

On 10 December 2010, Mr. Fong transferred his entire equity interests in Yingde Tourists to Legend Strategy for a consideration of HK\$8,000,000, which was its paid up registered capital and determined on an arm’s length basis.

Modern Tourists

On 25 April 2008, Modern Tourists was established as a wholly foreign owned enterprise in the PRC with a registered capital of HK\$1,000,000 and owned by Legend Strategy. Modern Tourists is the operator of Welcome Inn Baoan and provides hotel consultancy services.

Yuelai Inn

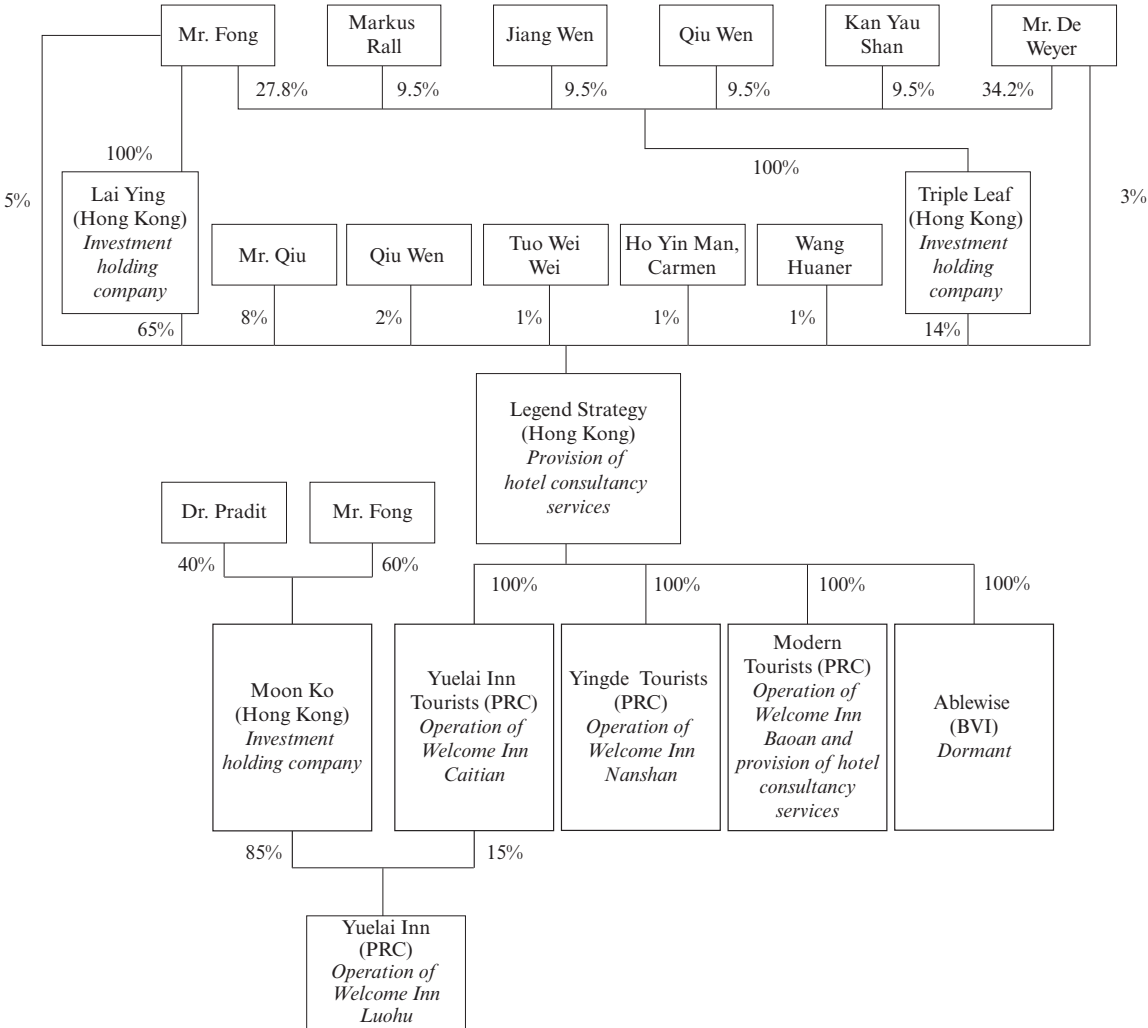
On 26 November 2008, Yuelai Inn was established as a Sino-foreign joint venture in the PRC with a registered capital of HK\$5,000,000 and was held as to 85% and 15% by Moon Ko and Yuelai Inn Tourists, respectively. Yuelai Inn is the operator of Welcome Inn Luohu.

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained herein is incomplete and is subject to change. This web proof information pack must be read in conjunction with the section headed “Warning on the cover of this web proof information pack.

HISTORY AND CORPORATE STRUCTURE

SHAREHOLDING STRUCTURE OF THE GROUP IMMEDIATELY BEFORE COMPLETION OF THE REORGANISATION

The following chart shows the Group’s shareholding structure of the Group immediately prior to the Reorganisation:



HISTORY AND CORPORATE STRUCTURE

The Group underwent the Reorganisation in preparation for [●]. The principal steps involved in the Reorganisation are summarised below:

- (a) On 15 December 2010, Legend Strategy International was incorporated in BVI with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares with par value of US\$1.00 each. On the same day, one share with par value of US\$1.00 was allotted and issued as fully paid to Mr. Fong.
- (b) On 22 December 2010, Mr. Fong paid a sum of HK\$3,400,000 to the independent investor of Moon Ko (i.e. the other shareholder of Moon Ko holding 40% shareholding interests in Moon Ko) in accordance with an agreement dated 16 September 2010 and Dr. Pradit transferred all his 40% shareholding interests in Moon Ko to Legend Strategy at a consideration of HK\$1.00. On the same day, Mr. Fong transferred all his 60% shareholding interests in Moon Ko to Legend Strategy at a consideration of HK\$1.00.
- (c) On 23 February 2011, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$390,000 divided into 39,000,000 shares with par value of HK\$0.01. On the same day, one subscriber share with par value of HK\$0.01 was transferred to Mr. Fong. On 23 March 2011, the authorised share capital of the Company was increased to HK\$7,800,000.
- (d) On 1 March 2011, Legend Strategy increased its authorised share capital from HK\$10,000 to HK\$15,000,000 and a total of 9,990,000 shares of Legend Strategy were issued and allotted to its shareholders in proportion to their respective percentages of shareholding interests.
- (e) On 23 March 2011, Mr. Fong transferred one share representing 100% shareholding interests in Legend Strategy International to the Company at par value.
- (f) On [●] 2011, Legend Strategy International acquired 10,000 shares with par value of HK\$1.00 each in the share capital of Lai Ying and all the shareholder’s loan from Mr. Fong. In consideration of such acquisition, the Company allotted and issued 87,750,000 Shares, credited as fully paid to Mr. Fong; and in turn, Legend Strategy International allotted and issued one share with par value of US\$1.00 credited as fully paid to the Company.
- (g) On [●] 2011, Legend Strategy International acquired 278 shares, 342 shares, 95 shares, 95 shares, 95 shares and 95 shares with par value of HK\$1.00 each (representing 27.8%, 34.2%, 9.5%, 9.5%, 9.5% and 9.5% of its shareholding interests respectively) in the share capital of Triple Leaf and all the shareholders’ loan from Mr. Fong, Mr. De Weyer, Markus Rall, Jiang Wen, Qiu Wen and Kan Yau Shan respectively. In consideration of such acquisitions, the Company allotted and issued 5,259,465 Shares, 6,473,655 Shares, 1,791,720 Shares, 1,791,720 Shares, 1,791,720 Shares and 1,791,720 Shares to Mr. Fong, Mr. De

HISTORY AND CORPORATE STRUCTURE

Weyer, Markus Rall, Jiang Wen, Qiu Wen and Kan Yau Shan, respectively; and in turn Legend Strategy International allotted and issued one share with the par value of US\$1.00 credited as fully paid to the Company.

- (h) On [●] 2011, Legend Strategy International acquired 500,000 shares, 800,000 shares, 300,000 shares, 200,000 shares, 100,000 shares, 100,000 shares and 100,000 shares with a par value of HK\$1.00 each in the share capital of Legend Strategy (representing 5%, 8%, 3%, 2%, 1%, 1% and 1% of its shareholding interests respectively) from Mr. Fong, Mr. Qiu, Mr. De Weyer, Qiu Wen, Tuo Wei Wei, Ho Yin Man, Carmen and Wang Huaner respectively and the shareholders’ loan due and owed by Legend Strategy from Mr. Fong, Mr. De Weyer, Qiu Wen, Tuo Wei Wei, Ho Yin Man, Carmen and Wang Huaner respectively. In consideration of such acquisitions, the Company allotted and issued 6,750,000 Shares, 10,800,000 Shares, 4,050,000 Shares, 2,700,000 Shares, 1,350,000 Shares, 1,350,000 Shares and 1,350,000 Shares to Mr. Fong, Mr. Qiu, Mr. De Weyer, Qiu Wen, Tuo Wei Wei, Ho Yin Man, Carmen and Wang Huaner, respectively; and in turn Legend Strategy International allotted and issued one share with par value of US\$1.00 credited as fully paid to the Company.
- (i) On [●] 2011, Triple Leaf (BVI) acquired 1,791,720 Shares, 1,791,720 Shares and 1,791,720 Shares (representing 1.33%, 1.33% and 1.33% of the shareholding interests in the Company respectively) from Markus Rall, Jiang Wen and Kan Yau Shan respectively. In consideration of such acquisitions, Triple Leaf (BVI) allotted and issued to each of Markus Rall, Jiang Wen and Kan Yau Shan one share with par value of US\$1.00 in its share capital.

THIS WEB PROOF INFORMATION PACK IS IN DRAFT FORM. The information contained herein is incomplete and is subject to change. This web proof information pack must be read in conjunction with the section headed “Warning on the cover of this web proof information pack.

HISTORY AND CORPORATE STRUCTURE

Upon completion of the Reorganisation, the Company became the holding company of the Group. The following chart sets out the shareholding structure of the Group immediately after the Reorganisation:

