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LEGEND STRATEGY INTERNATIONAL HOLDINGS GROUP COMPANY LIMITED

枋濬國際集團控股有限公司

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

(Stock Code: 8160)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board and no assurance is given that there will be a liquid market in the securities traded on GEM.

RESULTS

The board of directors (the “Board”) of Legend Strategy International Holdings Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2011 together with the comparative figures for the corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	2011 HK\$	2010 HK\$
Revenue	3	69,592,354	37,317,933
Operating lease expenses		(9,984,386)	(7,492,727)
Depreciation of property, plant and equipment		(7,091,127)	(6,368,671)
Employee benefit expenses		(7,092,137)	(4,039,804)
Utilities		(1,732,733)	(1,429,882)
Other operating expenses	4	(12,182,966)	(4,380,740)
Operating profit		31,509,005	13,606,109
Finance income		60,539	52,402
Finance cost		(204,312)	(135,844)
Finance cost — net	5	(143,773)	(83,442)
Share of results of jointly controlled entities		(2,513,199)	—
Profit before income tax		28,852,033	13,522,667
Income tax expense	6	(7,587,350)	(3,973,136)
Profit for the year		21,264,683	9,549,531
Other comprehensive income:			
Currency translation differences		562,711	548,765
Total comprehensive income for the year		21,827,394	10,098,296
Profit attributable to:			
Equity holders of the Company		21,264,683	9,185,202
Non-controlling interest		—	364,329
		21,264,683	9,549,531
Total comprehensive income attributable to:			
Equity holders of the Company		21,827,394	9,680,370
Non-controlling interest		—	417,926
		21,827,394	10,098,296
Earnings per share for profit attributable to the equity holders of the Company during the year — Basic and diluted (Hong Kong cents)	7	13.63	6.80

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	<i>Note</i>	2011 HK\$	2010 HK\$
ASSETS			
Non-current assets			
Property, plant and equipment		28,994,945	24,212,636
Prepayment for property, plant and equipment	9	5,000,000	—
Rental deposits	9	1,212,228	934,358
Prepaid operating lease	9	11,722,821	295,577
Interests in jointly controlled entities		9,503,801	—
Deferred income tax assets		1,788,265	1,529,620
		<u>58,222,060</u>	<u>26,972,191</u>
Current assets			
Trade and other receivables	9	32,773,728	4,362,218
Cash and cash equivalents		16,150,556	263,590
		<u>48,924,284</u>	<u>4,625,808</u>
Total assets		<u>107,146,344</u>	<u>31,597,999</u>
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		1,800,001	—
Reserves		83,741,413	15,285,116
Total equity		<u>85,541,414</u>	<u>15,285,116</u>
LIABILITIES			
Non-current liabilities			
Provision for asset retirement		3,278,455	3,010,390
Finance lease liabilities		1,301,638	—
		<u>4,580,093</u>	<u>3,010,390</u>
Current liabilities			
Trade and other payables	10	8,217,551	7,650,611
Amount due to a director		582,031	1,338,103
Current income tax liabilities		7,836,051	4,313,779
Finance lease liabilities		389,204	—
		<u>17,024,837</u>	<u>13,302,493</u>
Total liabilities		<u>21,604,930</u>	<u>16,312,883</u>
Total equity and liabilities		<u>107,146,344</u>	<u>31,597,999</u>
Net current assets/(liabilities)		<u>31,899,447</u>	<u>(8,676,685)</u>
Total assets less current liabilities		<u>90,121,507</u>	<u>18,295,506</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to equity holders of the Company				Non- controlling interest HK\$	Total HK\$
	Share capital HK\$	Share premium HK\$	Reserves HK\$	Total HK\$		
Balance at 1 January 2010	—	—	(14,557,729)	(14,557,729)	2,393,525	(12,164,204)
Profit for the year	—	—	9,185,202	9,185,202	364,329	9,549,531
Other comprehensive income:						
Currency translation differences	—	—	495,168	495,168	53,597	548,765
Total comprehensive income for the year	—	—	9,680,370	9,680,370	417,926	10,098,296
Equity acquired from a non-controlling shareholder	—	—	(588,549)	(588,549)	(2,811,451)	(3,400,000)
Shareholder's contribution	—	—	20,751,024	20,751,024	—	20,751,024
Balance at 31 December 2010	<u>—</u>	<u>—</u>	<u>15,285,116</u>	<u>15,285,116</u>	<u>—</u>	<u>15,285,116</u>
Balance at 1 January 2011	—	—	15,285,116	15,285,116	—	15,285,116
Profit for the year	—	—	21,264,683	21,264,683	—	21,264,683
Other comprehensive income:						
Currency translation differences	—	—	562,711	562,711	—	562,711
Total comprehensive income for the year	—	—	21,827,394	21,827,394	—	21,827,394
Share swap pursuant to group reorganisation	1,350,001	—	8,598,659	9,948,660	—	9,948,660
Issuance of shares upon placing, net of share issuing expenses	450,000	38,030,244	—	38,480,244	—	38,480,244
Balance at 31 December 2011	<u>1,800,001</u>	<u>38,030,244</u>	<u>45,711,169</u>	<u>85,541,414</u>	<u>—</u>	<u>85,541,414</u>

NOTES:

1. GENERAL INFORMATION

Legend Strategy International Holdings Group Company Limited (the “Company”) was incorporated in the Cayman Islands on 23 February 2011 as an exempted company with limited liability under the Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company’s shares were listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited on 15 July 2011.

The Company is an investment holding company and its subsidiaries are principally engaged in the budget hotel operations and provision of hotel consultancy services in the People’s Republic of China (the “PRC”).

This consolidated financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated. This consolidated financial information has been approved for issue by the Board of Directors on 23 March 2012. This consolidated financial information should be read in conjunction with consolidated financial statements of the Group for the year ended 31 December 2011, which are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with HKFRS issued by the HKICPA under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) New, revised and amended standards and interpretations to existing standards effective in 2011

The Group has adopted the following new, revised and amended standards and interpretations to existing standards that have been issued and are effective for the Group’s financial year commencing on 1 January 2011:

HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of rights issue
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a minimum funding requirement

Various improvements to HKFRSs published by the HKICPA in May 2010

The adoption of the new HKFRSs did not result in substantial changes to the accounting policies of the Group and had no material effect on how the results and financial positions for the current or prior accounting periods have been prepared and presented.

(b) New, revised and amended standards and interpretation to existing standard that are not effective and have not been early adopted by the Group

The following new, revised and amended standards and interpretation to existing standard have been issued, but not effective for the financial year beginning 1 January 2011 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of items of other comprehensive income	1 July 2012
HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets	1 January 2012
HKAS 19 (Revised)	Employee benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate financial statements	1 January 2013
HKAS 28 (Revised 2011)	Investments in associates and joint ventures	1 January 2013
HKAS 32 (Amendment)	Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013
HKFRS 1 (Amendment)	First-time adoption of HKFRSs — severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKFRS 7 (Amendment)	Disclosures — transfers of financial assets	1 July 2011
HKFRS 7 (Amendment)	Disclosures — Offsetting financial assets and financial liabilities	1 January 2013

The Group has already commenced an assessment of the impact of the above new, revised and amended standards and interpretation to existing standard but is not yet in a position to state whether these new, revised and amended standards and interpretation to existing standard would have a significant impact to its results of operations and financial position.

3. SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) has been identified collectively as the executive directors of the Company. The executive directors review the Group’s internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

Management regularly reviews the operating results from a service category perspective. The reportable operating segments derive their revenue primarily from the hotel operations and provision of hotel consultancy services. The sales of hotel membership cards and revenue from on a sub-leased arrangement are included in the hotel operation segment.

Management assesses the performance of the operating segments based on the measure of operating profit.

The segment information provided to the CODM for the reportable segments for the year is as follows:

	Hotel operations <i>HK\$</i>	Provision of hotel consultancy services <i>HK\$</i>	Total <i>HK\$</i>
For the year ended 31 December 2011			
Segment revenue	<u>27,392,060</u>	<u>42,200,294</u>	<u>69,592,354</u>
Segment results	<u>2,631,691</u>	<u>31,185,086</u>	<u>33,816,777</u>
Depreciation of property, plant and equipment	<u>6,878,615</u>	<u>212,512</u>	<u>7,091,127</u>
For the year ended 31 December 2010			
Segment revenue	<u>27,685,447</u>	<u>9,632,486</u>	<u>37,317,933</u>
Segment results	<u>6,216,312</u>	<u>7,389,797</u>	<u>13,606,109</u>
Depreciation of property, plant and equipment	<u>6,215,217</u>	<u>153,454</u>	<u>6,368,671</u>

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

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Segment results	33,816,777	13,606,109
Unallocated operating costs	(2,307,772)	—
Finance income	60,539	52,402
Finance cost	(204,312)	(135,844)
Share of results of jointly controlled entities	(2,513,199)	—
Profit before income tax	<u>28,852,033</u>	<u>13,522,667</u>

All revenue was derived from external customers in the PRC and Hong Kong during the years ended 31 December 2011 and 2010 except an amount of HK\$5,983,479 was derived from jointly controlled entities in Hong Kong for the year ended 31 December 2011. Revenue of HK\$28,648,535 (2010: HK\$7,111,000) is derived from two (2010: one) external customers for the year ended 31 December 2011. The revenue is attributable to the provision of hotel consultancy services. Except for these two (2010: one) customers, there was no revenue from transactions with external customers which accounted for 10% or more of the Group's total revenue.

The total of non-current assets other than deferred tax assets located in Hong Kong and the PRC were HK\$4,675,080 (2010: Nil) and HK\$51,758,715 (2010: HK\$25,442,571) respectively.

Breakdown of revenue from all activities is as follows:

	2011	2010
	<i>HK\$</i>	<i>HK\$</i>
Hotel consultancy services	42,200,294	9,632,486
Revenue from hotel operations		
— hotel room and conference room rental	26,387,781	27,323,721
— revenue from a sub-leased arrangement	611,124	—
— sales of hotel membership cards	393,155	361,726
	<u>69,592,354</u>	<u>37,317,933</u>

4. OTHER OPERATING EXPENSES

Other operating expenses consisted of the following:

	2011	2010
	<i>HK\$</i>	<i>HK\$</i>
Auditor's remuneration	1,000,000	500,000
Property management fee	598,462	508,646
Consumables and laundries	1,439,447	1,329,871
Legal and professional fee	1,848,171	304,655
Marketing and promotion	814,737	202,309
Telephone and communication	295,426	282,426
Repairs and maintenance	443,719	248,813
Office supplies	163,748	165,400
Sales commission	681,378	360,904
Entertainment	636,450	21,855
Bank charges	361,867	168,157
Listing expenses	2,307,772	—
Others	1,591,789	287,704
	<u>12,182,966</u>	<u>4,380,740</u>

5. FINANCE COST — NET

	2011	2010
	HK\$	HK\$
Finance cost:		
— Finance cost on asset retirement obligations	(149,941)	(135,844)
— Finance cost on finance lease liabilities	(54,371)	—
	<u>(204,312)</u>	<u>(135,844)</u>
Finance income:		
— Interest income on non-current rental deposits carried at amortised cost	59,959	52,353
— Bank interest income	580	49
	<u>60,539</u>	<u>52,402</u>
Finance cost — net	<u>(143,773)</u>	<u>(83,442)</u>

6. INCOME TAX EXPENSE

	2011	2010
	HK\$	HK\$
Current income tax		
— Hong Kong profits tax	4,359,102	794,439
— PRC corporate income tax	3,423,971	3,172,509
Deferred income tax	(195,723)	6,188
	<u>7,587,350</u>	<u>3,973,136</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits of the year.

The PRC corporate income tax is provided at the rate of 25% (2010: 25%) for the year.

7. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2011	2010
Profit attributable to the equity holders of the Company	21,264,683	9,185,202
Weighted average number of ordinary shares in issue	155,958,905	135,000,001
Basic earnings per share (Hong Kong cents)	<u>13.63</u>	<u>6.80</u>

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2010 includes the issued share capital of the Company of 135,000,001 shares, comprising:

- (i) the 1 share of the Company allotted and issued fully paid on 23 February 2011;
- (ii) the 135,000,000 shares issued for share swap pursuant to the reorganisation on 24 March 2011, 27 April 2011 and 19 June 2011;

and assuming the 135,000,001 shares were in issue on 1 January 2010.

The weighted average number of shares used to calculate the earnings per share for the year ended 31 December 2011 includes 45,000,000 issued upon the listing on the Stock Exchange on 15 July 2011, in addition to the aforementioned 135,000,001 ordinary shares which were assumed in issue on 1 January 2010.

(b) Diluted

Diluted earnings per share are equal to basic earnings per share as there were no potential dilutive ordinary shares outstanding during the year (2010: Nil).

8. DIVIDENDS

No dividends had been paid or declared by the Company during the year (2010: Nil).

9. TRADE AND OTHER RECEIVABLES

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Trade debtors	28,048,035	1,664,690
Prepayments, deposits and other receivables	<u>22,660,742</u>	<u>3,927,463</u>
	50,708,777	5,592,153
Less: non-current portion of prepaid operating lease	(11,722,821)	(295,577)
Less: non-current portion of deposits	(1,212,228)	(934,358)
Less: non-current portion of prepayment for property, plant and equipment	<u>(5,000,000)</u>	<u>—</u>
Current portion	<u><u>32,773,728</u></u>	<u><u>4,362,218</u></u>

The majority of the Group's revenue from hotel operations are cash sales. Sales of rooms are also made to corporate customers with an appropriate credit history on credit terms of 30 days. For hotel consultancy services, the Group offers credit terms to external customers of 7 days upon acceptance of services by the customers. As at 31 December 2011, trade receivables of HK\$2,129,389 (2010: HK\$153,761) were past due but not impaired. Management considered that no recoverability problem on these trade balances as a result of subsequent settlement noted up to the date of this report and regular repayment schedule committed by these trade debtors. The aging analysis of these trade debtors is as follows:

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Neither past due nor impaired	<u>25,918,646</u>	<u>1,510,929</u>
0-30 days past due	1,411,770	134,184
31-60 days past due	647,308	1,116
61-90 days past due	3,058	—
Over 90 days past due	<u>67,253</u>	<u>18,461</u>
Past due but not impaired	<u><u>2,129,389</u></u>	<u><u>153,761</u></u>
	<u><u>28,048,035</u></u>	<u><u>1,664,690</u></u>

10. TRADE AND OTHER PAYABLES

	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Trade payables	2,583,726	2,086,059
Accruals and other payables	<u>5,633,825</u>	<u>5,564,552</u>
	<u><u>8,217,551</u></u>	<u><u>7,650,611</u></u>

The aging analysis of trade payables is as follows:

	2011	2010
	<i>HK\$</i>	<i>HK\$</i>
0-30 days	879,626	1,594,482
31-60 days	812,063	251,823
61-90 days	664,430	97,367
Over 90 days	227,607	142,387
	<u>2,583,726</u>	<u>2,086,059</u>

11. COMMITMENTS

(a) Operating lease commitment

The Group leases various hotel premises under non-cancellable operating lease agreements. The leases have escalation clauses and renewal rights. The future aggregate minimum lease payments are as follows:

	2011	2010
	<i>HK\$</i>	<i>HK\$</i>
No later than 1 year	11,613,064	8,595,814
Later than 1 year and no later than 5 years	30,369,053	30,484,373
Over 5 years	586,799	5,569,014
	<u>42,568,916</u>	<u>44,649,201</u>

(b) Capital commitment

The Group's capital expenditure at the end of the reporting period but not yet incurred is as follows:

	2011	2010
	<i>HK\$</i>	<i>HK\$</i>
Contracted but not provided for:		
— Capital injection to jointly controlled entities	<u>3,852,618</u>	<u>—</u>

The Group's share of capital expenditure of jointly controlled entities included above is as follows:

	2011	2010
	<i>HK\$</i>	<i>HK\$</i>
Contracted but not provided for:		
— Property, plant and equipment	<u>7,338,552</u>	<u>—</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

The Group is principally engaged in budget hotel operations and provision of hotel consultancy services in the PRC.

Hotel Operation

For the financial year ended 31 December 2011, the Group has five leased-and-operated hotels under operation. The Group focuses on delivering values to budget-conscious hotel guests, such values included stylish design, cleanliness, comfort, friendly service, geographical convenience and safety. The Group develops its hotel through leasing part of existing commercial buildings and converting them into hotel accommodations. This strategy can help the Group not only open up a wider choice in selecting potential sites for new hotels but also substantially reduces the lead time and startup cost for hotel conversion when compared to a normal green field hotel project.

The following are the details of all leased-and-operated hotels of the Group:

Welcome Inn Caitian

Welcome Inn Caitian, the Group's first budget hip hotel in the PRC, commenced operation in 2006. The hotel has three floors and a total GFA of approximately 2,000 sq.m., comprising 87 rooms. Welcome Inn Caitian is situated near transportation hubs such as the Futian bus terminal, the Luohu train station and the Huanggang border (皇崗口岸).

Welcome Inn Nanshan

Welcome Inn Nanshan commenced operation in 2008. The hotel has five floors and a total GFA of approximately 7,000 sq.m., comprising 192 rooms, including an executive suite. Welcome Inn Nanshan is situated near the Hong Kong-Shenzhen Western Corridor and the Shekou Port (蛇口碼頭).

Welcome Inn Baoan

Welcome Inn Baoan commenced operation in 2008. The hotel has four floors and a total GFA of approximately 1,700 sq.m., comprising 59 rooms. The hotel is conveniently located at a commercial area in the Baoan District and adjoining the Baoan Airport, the Nan Tou custom (南頭海關), the Baoan coach terminal and the Xi Xiang Pier (西鄉碼頭).

Welcome Inn Luohu

Welcome Inn Luohu commenced operation in 2008. The hotel has one floor and a total GFA of approximately 2,000 sq.m., comprising 80 rooms. The hotel is conveniently located at the financial centre area in the Luohu District. Welcome Inn Luohu is also situated near Huaqiang North Commercial Street and Shenzhen train terminal.

The Fujian Hotel

In July 2011, the Group acquired a contractual right to operate a hotel located in the Fujian Province, the PRC (the “Fujian Hotel”) which has five floors and 111 guest rooms as its leased-and-operated hotel. The Fujian Hotel commenced operation in October 2011 after decoration and facilities improvement.

Future Development and Outlook for Hotel Operation

In October 2011, the Group had identified a location in the Danshui district, Huizhou City, Guangdong Province, the PRC, to develop its sixth leased-and operating hotel (the “Danshui Hotel”). The Danshui Hotel is expected to be refurbished in second quarter of 2012 with the commencement of operation in the second half of 2012.

In December 2011, the Group entered into a joint venture agreement with First Creation Investment Limited to establish two jointly controlled entities to conduct the business of hotel operation in Sanya, the PRC (the “Sanya” hotels”). The two Sanya hotels are expected to be refurbished in second half of 2012 with the commencement of operation in the third quarter of 2012.

In January 2012, the Group had identified a location in Aotou district, Huizhou City, Guangdong Province, the PRC to develop its seventh leased-and-operating hotel (the “Aotou Hotel”). The Aotou Hotel is expected to be commenced of operation in the third quarter of 2012.

The Group plans to continue to expand its network in the PRC with focus on the Southern PRC, in particular, the Guangdong Province in the next two to three years. The Directors believe that the continuous growth of the economy in the PRC will attract corporations to seek business opportunities and expand their businesses across these cities and thereby stimulating a large demand for hotel accommodations.

Hotel Consultancy Services

For the financial year ended 31 December 2011, the Group had entered into 14 hotel consultancy agreements with 6 investors for the provision of hotel consultancy services. These investors, except for two jointly controlled entities are independent third parties who are not connected with the Group other than entering into the hotel consultancy agreements with the Group.

Subject to the negotiations with individual hotel investors, the principal terms of the hotel consultancy agreements are generally similar. Pursuant to the hotel consultancy agreements, the Group provides to the hotel investors the following services:

- (i) site selection through detailed studies on the traffic flow etc.;
- (ii) site assessment and feasibility analysis;
- (iii) preparing ISO 9001 : 2008 operating procedures and quality manual;
- (iv) hotel interior design; and
- (v) construction contractor selection

Outlook for Hotel Consultancy Services

The Group is currently implementing a branding strategy to refresh and streamline its brands to better appeal to its target market segments and to serve as a platform for its expansion into the consultancy businesses. The Directors believe that the successful track record of the Group’s hotels is one of the reasons that attract hotel investors.

FINANCIAL REVIEW

The Group has a positive trend for the year ended 31 December 2011 and is pleased to announce a profit attributable to owners of the Company of approximately HK\$21.265 million, representing a year-on-year increase of approximately HK\$12.08 million or 131.3% compared to approximately HK\$9.185 million for last year ended 31 December 2010 (the “Last Year”).

Revenue

The Group’s growth momentum is carried forward from Last Year to the year ended 31 December 2011. The Group reported a total revenue of approximately HK\$69.592 million (2010: approximately HK\$37.317 million) and recorded a year-on-year increase of approximately HK\$32.275 million or 86.47% from the Last Year.

Revenue mainly came from the hotel consultancy services of approximately HK\$42.20 million, representing approximately 61% of total revenue. They rose approximately 338% or HK\$32.568 million from approximately HK\$9.632 million.

The following table shows the key information of each of the Group’s leased-and-operated hotels for the years ended 31 December 2010 and 2011:

	Year ended 31 December		% change
	2011	2010	
Welcome Inn Nanshan			
Total available room nights	68,198	67,337	1.3%
Occupancy	76.1%	87.7%	-13.3%
ARR (RMB)*	188.5	194.3	-3.0%
RevPAR (RMB) ^Δ	143.5	170.4	-15.9%
Welcome Inn Caitian			
Total available room nights	31,249	31,425	-0.6%
Occupancy	79.7%	96.1%	-17.0%
ARR (RMB)*	195.4	188.1	3.9%
RevPAR (RMB) ^Δ	155.6	180.7	-13.9%
Welcome Inn Baoan			
Total available room nights	21,446	21,535	-0.4%
Occupancy	81.3%	89.2%	-8.8%
ARR (RMB)*	128.4	123.7	3.8%
RevPAR (RMB) ^Δ	104.4	110.4	-5.4%
Welcome Inn Luohu			
Total available room nights	29,142	28,812	1.2%
Occupancy	89.6%	95.6%	-6.3%
ARR (RMB)*	185.1	175.6	5.4%
RevPAR (RMB) ^Δ	165.9	168.0	-1.2%
Total			
Total available room nights	150,035	149,109	0.6%
Occupancy	80.2%	91.2%	-12.1%
ARR (RMB)*	180.6	179.4	0.7%
RevPAR (RMB) ^Δ	144.8	163.6	-11.5%

* ARR: the room revenue of a hotel divided by the total occupied room nights

^Δ RevPAR: the room revenue of a hotel divided by the total available room nights

Our hotels in the PRC recorded an overall decrease in occupancy rates due to a combination of the post-World Universiade effect and competition within the budget hotel market intensified in Shenzhen City. The management anticipates the operational performance of the Group's hotels in Shenzhen City to gradually improve from the after effect of the World Universiade and enhancing the awareness of the brand name "Welcome Inn" in Shenzhen City.

Operating Costs

The total operating costs increased by HK\$14.371 million, or approximately 60.61%, from HK\$23.712 million for the Last Year to HK\$38.083 million for the year ended 31 December 2011, attributable primarily to the increase in employee benefit expenses due to the increase in minimum rate of wages and the one-off charge of HK\$2.308 million listing expenses. Excluding this one-off charge, the total operating costs would have been HK\$35.776 million.

The following table shows the total operating costs for the years ended 31 December 2010 and 2011:

	Year ended 31 December		% change
	2011 HK\$	2010 HK\$	
Operating lease expenses	9,984,386	7,492,727	33.3%
Depreciation of property, plant and equipment	7,091,127	6,368,671	11.3%
Employee benefit expenses	7,092,137	4,039,804	75.6%
Utilities	1,732,733	1,429,882	21.2%
Listing expenses	2,307,772	—	N/A
Other operating expenses	9,875,194	4,380,740	125.4%
	<u>38,083,349</u>	<u>23,711,824</u>	<u>60.6%</u>

Liquidity, Financial Resources and Capital Structure

The Group generally finances its daily operations from internally generated cash flows. As at 31 December 2011, the Group had bank balances and cash of approximately HK\$16.15 million (2010: approximately HK\$0.263 million).

Gearing ratio is defined as net debt (representing by bank borrowings including finance lease obligation net of cash and cash equivalent) divided by shareholders equity as at 31 December 2011, the Group maintains net cash position. Hence, no gearing ratio is presented.

Capital Structure

Except the Company raised approximately HK\$38.48 million of net proceeds through the initial placing of the shares of HK\$0.01 each at the placing price of HK\$1.20 each on 15 July 2011, there has been no material change in the capital structure of the Group from 15 July 2011 to 31 December 2011.

The total number of the issued shares of the Company was 180,000,001 as at 31 December 2011.

Foreign Exchange Exposure

Majority of the assets and liabilities of the Group were denominated in Renminbi and Hong Kong dollars. At 31 December 2011, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Significant Investment

On 22 December 2011, the Group entered into the joint venture agreement with First Creation Investment Limited to establish two joint venture companies to conduct the business of hotel operation in Sanya, the PRC. The investments for two jointly controlled entities for the Group as at 31 December 2011 were approximately HK\$12 million. Except for the set-up of this jointly controlled entities, there was no significant investment held by the Group (2010: Nil).

Material Acquisitions or Disposals

For the year ended 31 December 2011, there were no material acquisitions or disposal of subsidiaries and affiliated companies by the Group.

Charges on Assets

As at 31 December 2011, the Group did not have any charges on its assets.

Contingent Liabilities

As at 31 December 2011, the Group did not have any material contingent liabilities.

Employees and Remuneration Policies

The Group had more than 100 (2010: 100) employees as at 31 December 2011. The Group's remuneration practices are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee.

Use of Net Proceeds from Placing

On 15 July 2011, shares of the Company were listed on the Stock Exchange by way of placing. The net proceeds from the placing was approximately HK\$38.40 million, which was higher than the estimated net proceeds of approximately HK\$27.40 million (estimated on the assumption that the placing price would be the mid-point of the range as stated in the Prospectus). The Group originally intends to adjust the use of proceeds on a pro-rata basis as shown in the Prospectus.

The future plans and prospects as stated in the Prospectus were formulated based on the best estimation of the future market conditions at the time of preparing the Prospectus. The Company's directors are mindful of the financial performance of the Group in engaging actual costs and capital expenditure. The proceeds were conservatively applied having regard to ongoing market conditions.

During the period from the 27 June 2011 (the “Latest Practicable Date”) as defined in the Prospectus to 31 December 2011, the net proceeds from the Placing had been applied as follows:

Business objectives for the period from the Latest Practicable Date to 31 December 2011 as stated in the Prospectus	from the Latest Practicable Date to 31 December 2011 as stated in the Prospectus HK\$	Planned use of proceeds			Actual use of proceeds from the Latest Practicable Date to 31 December 2011		Actual business progress up to 31 December 2011
		For the six months ending		Total HK\$	2011 HK\$		
		30 June HK\$	31 December HK\$				
1 Continue to expand the Group’s leased-and-operated hotel portfolio with focus on the Southern PRC	15,520,000	16,720,000	4,420,000	36,660,000	20,000,000	Commenced operation of the Fujian Hotel in October 2011 as the Group’s leased-and-operated hotel. The increase of refurbishment cost of the Fujian Hotel caused the Group has used approximately HK\$4.5 million in advance of use of proceeds of 2012.	
2 Continue to expand the hotel consultancy business	—	40,000	40,000	80,000	50,000	The Group has entered into 14 hotel consultancy agreements with 6 investors. The Group has achieved its 2 years business plan in advance before 31 December 2011.	
3 Expand the business by offering hotel management services	1,400,000	—	—	1,400,000	1,400,000	The Group has set up a new office in the PRC which focus the hotel management services.	
4 Continue to enhance the awareness of the brand names	—	170,000	170,000	340,000	340,000	The Group has invested approximately HK\$340,000 in marketing and promotion in the PRC to improve the awareness of “Welcome Inn” brand. The Group has improved the quality of design to attract more investors for hotel consultancy business and therefore the Group has used the use of proceeds for year 2012 in advances.	
Total	<u>16,920,000</u>	<u>16,930,000</u>	<u>4,630,000</u>	<u>38,480,000</u>	<u>21,790,000</u>		

Dividends

The directors do not recommend payment of any dividend in respect of the year ended 31 December 2011.

OUTLOOK

The Group is actively seeking for investment and other asset-light and cost-effective business opportunities such as providing hotel consultancy service as well as providing hotel management service with a view to grow its brand distribution and revenues to create value for the shareholders. The management believes that our two business segments can be the two-prong growth engine which will help to strengthen the Company’s brand positioning and revenues without requiring substantial capital expenditures or incurring significant costs.

CORPORATE GOVERNANCE

The Group acknowledges the need and importance of corporate governance as one of the key elements in enhancing shareholders' value. The Group is committed to improving its corporate governance policies in compliance with regulatory requirements and in accordance with international recommended practices. As at the date of this report, the Company has formed the Audit Committee, Nomination Committee and Remuneration Committee all at the Board of Directors' (the "Board") level, to provide assistance, advice and recommendations on the relevant matters that aim to ensure protection of the Group and the interest of the Company's shareholders as a whole.

The Company had complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the year ended 31 December 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to Rules 5.67 of the GEM Listing Rules ("Model Code") as its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings. Having made specific enquiry to all the Directors, all the Directors confirmed that they had throughout the year ended 31 December 2011 complied with the required standard of dealings as set out in the Model Code.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

AUDIT COMMITTEE REVIEW

The Group has an Audit Committee which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises the three independent non-executive Directors. Mr. Tam, Kwok Ming Banny is the chairman of the Audit Committee.

The Audit Committee of the Company has reviewed with management of the Company the accounting principles and practices adopted by the Group, the internal control procedures, the annual results of the Company for the year ended 31 December 2011 and has met with external auditors and discussed the financial matters of the Group that arose during the course of audit for the year ended 31 December 2011.

COMPETING BUSINESS

For the year ended 31 December 2011, the directors are not aware of any business or interest of the directors, the management of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

COMPLIANCE ADVISER

At 31 December 2011, except for the agreement entered into between the Company and Quam Capital Limited, the Company's compliance adviser on 27 June 2011, neither the Company's compliance adviser nor its directors, employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as notified by the Company's compliance adviser.

By Order of the Board
Legend Strategy International Holdings Group Company Limited
Fong, Man Kelvin
Chairman and Executive Director

Hong Kong, 23 March 2012

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

<i>Executive Directors:</i>	Mr. Fong Man, Kelvin (<i>Chairman</i>) Mr. Wong William (formerly known as Mr. Wong Hiu Fan)
<i>Non-Executive Director:</i>	Mr. De Weyer, Daniel Ludovicus Joannes
<i>Independent Non-Executive Directors:</i>	Dr. Wong Hak Kun, Jerry Mr. Tam Kwok Ming, Banny Mr. Tsoi Wing Sum

This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, there are no other matters the omission of which would make any statement herein or this announcement misleading, and all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for seven days from the day of its posting and on the website of the Company at www.legendstrategy.com.