LEGEND STRATEGY INTERNATIONAL HOLDINGS GROUP COMPANY LIMITED
朸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 2012

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.

This announcement, for which the directors (the "Directors") of Legend Strategy International Holdings Group Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

RESULTS

The board of Directors is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012 together with the comparative figures for the corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	**2012**	2011
		HK$	*HK$*
Revenue	*3*	**91,155,199**	69,592,354
Operating lease expenses		**(11,584,821)**	(9,984,386)
Depreciation of property, plant and equipment		**(7,959,800)**	(7,091,127)
Employee benefit expenses		**(9,845,335)**	(7,092,137)
Utilities		**(1,893,741)**	(1,732,733)
Other operating expenses	*4*	**(15,122,826)**	(12,182,966)
Operating profit		**44,748,676**	31,509,005
Finance income		**76,231**	60,539
Finance cost		**(1,077,099)**	(204,312)
Finance cost — net	*5*	**(1,000,868)**	(143,773)
Share of results of jointly controlled entities		**(20,870)**	(2,513,199)
Profit before income tax		**43,726,938**	28,852,033
Income tax expense	*6*	**(10,855,270)**	(7,587,350)
Profit for the year		**32,871,668**	21,264,683
Other comprehensive income:			
Currency translation differences		**249,923**	562,711
Fair value changes on available-for-sale financial assets		**178,000**	—
Total comprehensive income for the year		**33,299,591**	21,827,394
Profit attributable to:			
Equity holders of the Company		**32,871,668**	21,264,683
Total comprehensive income attributable to:			
Equity holders of the Company		**33,299,591**	21,827,394
Earnings per share for profit attributable to the equity holders of the Company during the year			
— Basic (Hong Kong cents)	*7*	**18.26**	13.63
— Diluted (Hong Kong cents)	*7*	**17.97**	13.63

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012 HK$	2011 HK$
ASSETS			
Non-current assets			
Property, plant and equipment		**36,746,467**	28,994,945
Prepayment and deposits	*9*	**24,450,000**	5,000,000
Rental deposits		**1,497,017**	1,212,228
Prepaid operating lease		**10,998,264**	11,722,821
Interests in jointly controlled entities		**19,492,931**	9,503,801
Deferred income tax assets		**1,452,223**	1,788,265
		94,636,902	58,222,060
Current assets			
Trade and other receivables	*9*	**52,481,410**	32,773,728
Available-for-sale financial assets		**1,162,000**	—
Cash and cash equivalents		**27,880,476**	16,150,556
		81,523,886	48,924,284
Total assets		**176,160,788**	107,146,344
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**1,800,001**	1,800,001
Reserves		**117,265,004**	83,741,413
Total equity		**119,065,005**	85,541,414
LIABILITIES			
Non-current liabilities			
Provision for asset retirement		**3,457,087**	3,278,455
Finance lease liabilities		**889,153**	1,301,638
Convertible notes — debt component	*10*	**29,405,000**	—
		33,751,240	4,580,093
Current liabilities			
Trade and other payables	*11*	**9,064,789**	8,217,551
Amount due to a director		**—**	582,031
Current income tax liabilities		**13,035,449**	7,836,051
Finance lease liabilities		**412,305**	389,204
Financial derivatives		**832,000**	—
		23,344,543	17,024,837
Total liabilities		**57,095,783**	21,604,930
Total equity and liabilities		**176,160,788**	107,146,344
Net current assets		**58,179,343**	31,899,447
Total assets less current liabilities		**152,816,245**	90,121,507

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to equity holders of the Company			
	Share capital	Share premium	Reserves	Total
	HK$	*HK$*	*HK$*	*HK$*
Balance at 1 January 2011	—	—	15,285,116	15,285,116
Profit for the year	—	—	21,264,683	21,264,683
Other comprehensive income:				
Currency translation differences	—	—	562,711	562,711
Total comprehensive income for the year	—	—	21,827,394	21,827,394
Total contributions by and distributions to owners of the company recognised directly in equity				
Share swap pursuant to group reorganisation	1,350,001	—	8,598,659	9,948,660
Issuance of shares upon placing, net of share issuing expenses	450,000	38,030,244	—	38,480,244
	1,800,001	38,030,244	8,598,659	48,428,904
Balance at 31 December 2011	1,800,001	38,030,244	45,711,169	85,541,414
Balance at 1 January 2012	**1,800,001**	**38,030,244**	**45,711,169**	**85,541,414**
Profit for the year	**—**	**—**	**32,871,668**	**32,871,668**
Other comprehensive income:				
Currency translation differences	**—**	**—**	**249,923**	**249,923**
Fair value changes on available-for-sale financial assets	**—**	**—**	**178,000**	**178,000**
Total comprehensive income for the year	**—**	**—**	**33,299,591**	**33,299,591**
Total contributions by and distributions to owners of the company recognised directly in equity				
Employee share option benefit	**—**	**—**	**224,000**	**224,000**
Balance at 31 December 2012	**1,800,001**	**38,030,244**	**79,234,760**	**119,065,005**

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") and Hong Kong.

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 12 March 2013. This consolidated financial information should be read in conjunction with consolidated financial statements of the Group for the year ended 31 December 2012, 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 the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial derivatives, which are carried at fair value.

Except as described below, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2012, as described in those consolidated financial statements.

2.1 Convertible notes

The Company issued Hong Kong dollars denominated convertible notes (the "convertible notes") which can be converted into ordinary shares of the Company and redeemed under certain circumstances. If the conversion of the convertible notes will not result in delivering a fixed number of the Company's own equity instruments in exchange for a fixed amount of cash or another financial asset, the convertible notes contract will be separated into two component elements: a financial derivative component consisting of the embedded options and a debt component consisting of the straight debt element of the convertible notes.

On the issue of the convertible notes, the fair value of the financial derivatives component is calculated using a valuation technique. The financial derivative component is carried at fair value on the consolidated statement of financial position with any subsequent changes in fair value being charged or credited to the profit or loss in the period when the change occurs. The remainder of the proceeds is allocated to debt component of the convertible notes, net of transaction costs, and is recorded as a liability. The debt component is subsequently carried at amortised cost until extinguished on conversion or redemption.

Interest expense is calculated using the effective interest method by applying the effective interest rate to the debt component through the maturity date.

If the convertible notes are converted, the carrying amounts of the corresponding financial derivative and debt components are transferred to share capital and share premium as consideration for the shares issued. If the convertible notes are redeemed, any difference between the amount paid and the carrying amounts of the corresponding financial derivative and debt components is recognised in the profit or loss.

An exchange between the Company and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in the profit or loss.

If the exchange or modification is not constituted as an extinguishment, any costs or fees incurred shall be accounted for as adjustments to the carrying amount of the liability and being amortised over the remaining term of the modified liability.

2.2 New, revised and amended standards and interpretations to existing standards effective in 2012

The Group has adopted the following amended standards that have been issued and are effective for the financial periods commencing on 1 January 2012:

HKFRS 7 (Amendment)	Financial instruments: Disclosures, on transfer of financial assets
HKFRS 1 (Amendment)	First time adoption, on hyperinflation and fixed dates
HKAS 12 (Amendment)	Income taxes, on deferred tax

The adoption of the amended standards did not have material effect on how the results and financial positions for the current or prior accounting periods have been prepared and presented.

2.3 New, revised and amended standards and interpretations to existing standards that have been published but are not yet effective

The following new, revised and amended standards and interpretations to existing standards have been published and are mandatory for the financial periods beginning on or after 1 January 2013, but the Group has not early adopted them:

Amendment to HKAS 1	Financial statements presentation regarding other comprehensive income[1]
Amendment to HKAS 19	Employee benefits[2]
HKAS 27 (revised 2011)	Separate financial statements[2]
HKAS 28 (revised 2011)	Associates and joint ventures[2]
Amendment to HKAS 32	Financial instruments: Presentation on asset and liability offsetting[3]
Amendment to HKFRS 1	First time adoption, on government loans[2]

Amendment to HKFRS 7	Financial instruments: Disclosures on asset and liability offsetting[2]
HKFRS 9	Financial instruments[4]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosurs[4]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities [2]
HKFRS 13	Fair value measurement[2]
Amendment to HKFRSs 10, 11 and 12	Transition guidance[2]
HK(IFRIC) — Int 20	Stripping costs in the production phase of a surface mine[2]
Annual improvements 2011	Annual Improvements in the 2009-2011 financial reporting cycle[2]

Note:

[1] Effective for financial periods beginning on or after 1 July 2012.
[2] Effective for financial periods beginning on or after 1 January 2013.
[3] Effective for financial periods beginning on or after 1 January 2014.
[4] Effective for financial periods beginning on or after 1 January 2015.

The Group will apply these new, revised and amended standards and interpretations to existing standards in the period of initial application. The Group has assessed the impact of the adoption of HKFRS 10 and concluded that the adoption of this new standard does not have a material impact of the Group's consolidated financial statements. The Group is currently assessing the impact of the adoption of the other new, revised and amended standards and interpretations to existing standards and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.4 Change in accounting policies

The Company has changed its accounting policies in relation to the foreign currency transaction, items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company in 2011 was Renminbi ("RMB"). During the year, upon issuance of convertible notes (Note 10), the functional currency of the Company has been changed from RMB to HK$ since the Company has changed its activities from a sole investment holding company to a company which is also engaged in treasury functions in Hong Kong. The change of functional currency which is made due to change in underlying events and conditions as mentioned above is accounted for prospectively. The consolidated financial statement is presented in HK$.

3. SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM''). The 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, hotel management services income and rental income on a sub-leased premise are included in the hotel operation segment.

Management assesses the performance of the operating segments based on the measure of operating profit but exclude certain unallocated listing expenses.

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

	Hotel operations	**Provision of hotel consultancy services**	**Total**
	HK$	*HK$*	*HK$*
For the year ended 31 December 2012			
Segment revenue	**32,969,007**	**58,186,192**	**91,155,199**
Segment results	**7,419,938**	**37,328,738**	**44,748,676**
Depreciation of property, plant and equipment	**7,359,590**	**600,210**	**7,959,800**
Amortisation of prepaid operating lease	**850,590**	**—**	**850,590**
Provision for impairment of trade debtors	**—**	**1,500,000**	**1,500,000**
For the year ended 31 December 2011			
Segment revenue	27,392,060	42,200,294	69,592,354
Segment results	2,631,691	31,185,086	33,816,777
Depreciation of property, plant and equipment	6,878,615	212,512	7,091,127
Amortisation of prepaid operating lease	212,647	—	212,647

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

	2012	2011
	HK$	*HK$*
Segment results	**44,748,676**	33,816,777
Unallocated listing expenses	**—**	(2,307,772)
Finance income	**76,231**	60,539
Finance cost	**(1,077,099)**	(204,312)
Share of results of jointly controlled entities	**(20,870)**	(2,513,199)
Profit before income tax	**43,726,938**	28,852,033

All revenue was derived from external customers in the PRC and Hong Kong during the years ended 31 December 2012 and 2011. Revenue of HK$57,203,556 (2011: HK$28,648,535) is derived from five (2011: two) external customers for the year ended 31 December 2012. The revenue is attributable to the provision of hotel consultancy services.

The total of non-current assets other than deferred tax assets located in Hong Kong and the PRC were HK$13,956,495 (2011: HK$4,675,080) and HK$79,228,184 (2011: HK$51,758,715), respectively.

Breakdown of revenue from all activities is as follows:

	2012	2011
	HK$	*HK$*
Hotel consultancy services	**58,186,192**	42,200,294
Sales from hotel operations — hotel room rental, hotel management services income and conference room rental	**30,173,403**	26,387,781
Rental income on a sub-leased premise	**2,456,044**	611,124
Sales of hotel membership cards	**339,560**	393,155
	91,155,199	69,592,354

4. OTHER OPERATING EXPENSES

Other operating expenses consisted of the following:

	2012	2011
	HK$	*HK$*
Marketing and promotion	**1,931,143**	814,737
Provision for impairment of trade debtors	**1,500,000**	—
Auditor's remuneration	**1,320,000**	1,000,000
Consumables and laundries	**1,131,943**	1,439,447
Entertainment	**961,446**	636,450
Amortisation of prepaid operating lease	**850,590**	212,647
Sales commission	**633,210**	681,378
Property management fee	**597,914**	598,462
Telephone and communication	**436,330**	295,426
Repairs and maintenance	**248,804**	443,719
Bank charges	**147,069**	361,867
Office supplies	**137,231**	163,748
Listing expenses	**—**	2,307,772
Others	**5,227,146**	3,227,313
	15,122,826	12,182,966

5. FINANCE COST — NET

	2012	2011
	HK$	*HK$*
Finance income:		
— Interest income on non-current rental deposits carried at amortised cost	**72,518**	59,959
— Bank interest income	**3,713**	580
	76,231	60,539
Finance cost:		
— Finance cost on asset retirement obligations	**(160,421)**	(149,941)
— Finance cost on finance lease liabilities	**(81,002)**	(54,371)
— Finance cost on convertible notes	**(890,000)**	—
	(1,131,423)	(204,312)
Less: amount capitalized as construction in progress	**54,324**	—
	(1,077,099)	(204,312)
Finance cost — net	**(1,000,868)**	(143,773)

6. INCOME TAX EXPENSE

	2012	2011
	HK$	*HK$*
Current income tax		
— Hong Kong profits tax	**5,963,117**	4,359,102
— PRC corporate income tax	**4,545,651**	3,423,971
Deferred income tax	**346,502**	(195,723)
	10,855,270	7,587,350

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits of the year.

The PRC corporate income tax is provided at the rate of 25% (2011: 25%) for the year.

7. EARNINGS PER SHARE

(a) Basic

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

	2012	2011
Profit attributable to the equity owners of the Company (HK$)	**32,871,668**	21,264,683
Weighted average number of ordinary shares in issue	**180,000,001**	155,958,905
Basic earnings per share (Hong Kong cents)	**18.26**	13.63

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible notes and share options. The convertible notes are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expenses less the tax effect. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2012 *HK$*	2011 *HK$*
Earnings		
Profit attributable to equity holders of the Company	**32,871,668**	21,264,683
Interest expenses on convertible notes	**890,000**	—
Profit used to determine diluted earnings per share	**33,761,668**	21,264,683

	2012	2011
Number of Shares		
Weighted average number of ordinary shares in issue	**180,000,001**	155,958,905
Adjustments for:		
— Assumed conversion of convertible notes	**7,890,411**	—
Weighted average number of ordinary shares for diluted earnings per share	**187,890,412**	155,958,905
Diluted earnings per share (HK cents per share)	**17.97**	13.63

Note: There was no dilutive effect arose from share options on earnings per share for the year ended 31 December 2012 since all outstanding share options were anti-dilutive.

8. DIVIDENDS

No dividends had been paid or declared by the Company during the year (2011: Nil).

9. TRADE AND OTHER RECEIVABLES

	2012 *HK$*	2011 *HK$*
Trade debtors	**49,776,139**	28,048,035
Less:		
Provision for impairment of trade receivables	**(1,500,000)**	—
	48,276,139	28,048,035
Prepayments, deposits and other receivables	**30,152,288**	10,937,921
	78,428,427	38,985,956
Less:		
Rental deposits	**(1,497,017)**	(1,212,228)
Prepayment for property, plant and equipment	**(14,450,000)**	(5,000,000)
Deposit for an acquisition	**(10,000,000)**	—
Current portion	**52,481,410**	32,773,728

The majority of the Group's sales 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. The aging analysis of these trade debtors is as follows:

	2012	2011
	HK$	*HK$*
Neither past due nor impaired	**1,018,731**	25,918,646
0-30 days past due	**6,457,730**	1,411,770
31-60 days past due	**6,961,124**	647,308
61-90 days past due	**4,505,744**	3,058
Over 90 days past due	**29,332,810**	67,253
Past due but not impaired	**47,257,408**	2,129,389
	48,276,139	28,048,035

10. CONVERTIBLE NOTES

	Group and Company	
	2012	2011
	HK$	*HK$*
Convertible notes — debt component	**29,405,000**	—
Financial derivatives	**832,000**	—
	30,237,000	—

The Company issued 36,000,000 5.0% convertible notes ("convertible notes") at a consideration of HK$30.6 million on 12 October 2012. The convertible notes will mature two years from the issue date at 112% of the outstanding principal or can be converted into shares at the holder's option anytime at a conversion price of HK$0.85 per share. In addition, the convertible notes can be early redeemed by the Company anytime at 112% of the outstanding principal.

The convertible notes recognised in the statement of financial position is calculated as follows:

	Group and Company	
	2012	2011
	HK$	*HK$*
Face value of convertible notes issued on 12 October 2012	**30,600,000**	—
Financial derivatives	**(832,000)**	—
Less: transactions cost	**(918,000)**	—
Debt component on initial recognition at 12 October 2012	**28,850,000**	—
Interest expense	**890,000**	—
Interest paid	**(335,000)**	—
Debt component at 31 December 2012	**29,405,000**	—

As at 31 December 2012, the debt component is discounted at an effective interest rate of 14%.

11. TRADE AND OTHER PAYABLES

	2012	2011
	HK$	*HK$*
Trade payables	**2,865,416**	2,583,726
Accruals and other payables	**6,199,373**	5,633,825
	9,064,789	8,217,551

The aging analysis of trade payables is as follows:

	2012	2011
	HK$	*HK$*
0-30 days	**940,788**	879,626
31-60 days	**702,292**	812,063
61-90 days	**542,906**	664,430
Over 90 days	**679,430**	227,607
	2,865,416	2,583,726

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 2012, the Group has five leased-and-operated hotels and two managed hotels under operation. The Group had confirmed five new hotel locations and entered into the leasing agreements with landlords in 2012. All the five new leased-and-operated hotels are located in Guangdong province, which are currently under construction and renovation. The Group expects these five new hotels will commence operation in 2013.

The Group continues to focus its strategy 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.

Future Development and Outlook for Hotel Operation

In August 2012, the Group confirmed a location in the North of Xiachong Fairground, Daya Bay district, Huizhou City, Guangdong Province, the PRC, to develop its sixth leased-and-operated hotel (the "Xiachong Hotel"). The leasing period is ten years which started from September 2012. The renovation work for Xiachong Hotel has started in the fourth quarter of 2012 and is expected to finish refurbishment in second quarter of 2013 with the commencement of operation in the second half of 2013.

In July 2012, the Group confirmed a location in the Huicheng district, Huizhou City, Guangdong Province, the PRC, to develop its seventh leased-and-operated hotel (the "Huizhou Binjiang Hotel"). The leasing period is ten years which started from December 2012, the renovation work for Huizhou Binjiang Hotel started in December 2012 and it is expected that the Huizhou Binjiang Hotel can commence operation in the second half of 2013.

In March 2012, the Group had identified two locations in Meilin, Futian district and Shekou, Nanshan district respectively in Shenzhen City, Guangdong Province, the PRC, the Group successfully entered into the leasing agreements with landlords in February 2013, to develop its eighth and ninth leased-and-operated hotels (the "Meilin Hotel" and the "Shekou Hotel" respectively). The leasing period for both locations is ten years starting from March 2013. It is expected the renovation work will start in March 2013 and complete in the third quarter of 2013.

In December 2012, the Group confirmed a location in Changping district, Dongguan City, Guangdong Province, the PRC to develop its tenth leased-and-operated hotel (the "Changping Hotel"). The Group expects refurbishment work to be completed in third quarter of 2013 and the Changping Hotel to commence operation within 2013.

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 demand of budget boutique hotels in the PRC will provide business opportunities to the Group to expand its businesses across these cities.

Hotel Consultancy Services

For the financial year ended 31 December 2012, the Group had entered into twenty hotel consultancy agreements with five investors for the provision of hotel consultancy services. These investors 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 business. 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 remarkable growth for the year ended 31 December 2012 and is pleased to announce a profit attributable to owners of the Company of approximately HK$32.87 million, representing a year-on-year increase of approximately HK$11.61 million or 54.58% compared to approximately HK$21.26 million for year ended 31 December 2011 (the "Last Year").

Revenue

The Group's growth momentum is carried forward from Last Year to the year ended 31 December 2012. The Group reported a total revenue of approximately HK$91.16 million (2011: approximately HK$69.59 million) and recorded a year-on-year increase of approximately HK$21.57 million or 30.98% from the Last Year.

Revenue mainly came from the hotel consultancy services of approximately HK$58.19 million, representing approximately 63.83% of total revenue. It increased approximately 37.88% or HK$15.99 million from approximately HK$42.20 million in the Last Year.

The following table shows the key information of each of the Group's leased-and-operated hotels for the years ended 31 December 2012 and 2011:

	Year ended 31 December		
	2012	2011	% change
Total			
Total available room nights	**146,749**	150,035	-2.2%
Occupancy	**79.61%**	80.2%	-0.6%
ARR (RMB)*	**185.2**	180.6	2.5%
RevPAR (RMB)Æ	**147.4**	144.8	1.8%

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

Æ RevPAR: the average room revenue of all hotels divided by the total available room nights

Operating Costs

The total operating costs increased by HK$8.32 million, or approximately 21.86%, from HK$38.08 million for the Last Year to HK$46.41 million for the year ended 31 December 2012.

The following table shows the total operating costs for the years ended 31 December 2012 and 2011:

	Year ended 31 December		
	2012	2011	% change
	HK$	*HK$*	
Operating lease expenses	**11,584,821**	9,984,386	16.0%
Depreciation of property, plant and equipment	**7,959,800**	7,091,127	12.3%
Employee benefit expenses	**9,845,335**	7,092,137	38.8%
Utilities	**1,893,741**	1,732,733	9.3%
Other operating expenses	**15,122,826**	12,182,966	24.1%
	46,406,523	38,083,349	21.85%

Liquidity, Financial Resources and Capital Structure

The Group generally finances its daily operations from internally generated cash flows. As at 31 December 2012, the Group had bank balances and cash of approximately HK$27.88 million (2011: approximately HK$16.15 million).

Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt. The gearing ratio for the year ended 31 December 2012 is 2.32% (2011: Nil. The Group was in net cash position in the Last Year).

Capital Structure

On 12 October 2012, the Company completed the placing of convertible notes in an aggregate principal amount of HK$30.6 million. The convertible notes bear interest at a rate of 5% per annum, payable annually in arrears. The convertible notes shall mature on the second anniversary of the date of issue. Assuming the exercise in full of the conversion rights attaching to the convertible notes at the initial conversion price of HK$0.85 (subject to adjustment) per share, an aggregate of 36,000,000 shares will be issued, representing approximately 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the conversion shares. Save for the issue of the convertible notes, there was no material change in the capital structure of the Group during the year ended 31 December 2012.

The total number of the issued shares of the Company was 180,000,001 as at 31 December 2012.

Foreign Exchange Exposure

Majority of the assets and liabilities of the Group were denominated in Renminbi and Hong Kong dollars. As at 31 December 2012, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Significant Investment

On 17 October 2012, the Group entered into a non-legal binding memorandum of understanding (the "MOU") with a vendor pursuant to which the Group intended to purchase 100% of the issued share capital of Spacial Interior Design Company Limited which is principally engaged in the business of interior decoration and design. The consideration of this possible acquisition is approximately HK$60 million. Pursuant to the MOU, in consideration of the exclusivity period of six months given after the date of MOU, the Group paid HK$10 million deposit to the vendor on 17 October 2012. Pursuant to the board meeting held on 21 February 2013, the Group decided not to proceed with the acquisition and the deposit has been collected by the Group in March 2013. Except for this possible acquisition, there was no significant investment made by the Group (2011: HK$12 million).

Material Acquisitions or Disposals

For the year ended 31 December 2012, there were no material acquisitions or disposal of subsidiaries and affiliated companies by the Group.

Charges on Assets

As at 31 December 2012, the Group did not have any charges on its assets.

Contingent Liabilities

As at 31 December 2012, the Group did not have any material contingent liabilities.

Employees and Remuneration Policies

The Group had more than 128 (2011: 100) employees as at 31 December 2012. 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.

Dividends

The Directors do not recommend payment of any dividend in respect of the year ended 31 December 2012.

OUTLOOK

Notwithstanding the credit crisis in Europe cannot be extinguished and the recovery of economy of the United States of America is still in doubt, the global economic prospect seemed to be much less optimistic, all these factors may interfere the pace of economy growth of the PRC, however, exactly due to the global economy step into the stage of recession, the domestic demands of budget boutique hotels are huge due to the customers become more cost conservative, rendering an opportunity for the Group to sustain remarkable growth in this year, the Group remains optimistic towards the Group's development and the prospects of the budget hotel business in the domestic PRC market.

In the future, the Group shall continue to expand the number of leased-and-operated hotels, and is also actively seeking for investment and engaging in asset-light and cost effective business opportunities in providing hotel consultancy services, as well as providing hotel management services with a view to grow its brand recognition and revenues to create value for the shareholders. The Directors believe that our two segments can be the two-prong growth engine which will help to strengthen the Group's market positioning and revenues without requiring substantial capital expenditures or incurring significant costs.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual progress of the Group compared with the business objectives set out in the Company's prospectus dated 30 June 2011 (the "Prospectus") for the period from 1 January 2012 to 31 December 2012 (the "Review Period").

Continue to expand the Group's leased-and-operated hotel portfolio with focus on the Southern PRC

Business objectives for the Review Period	**Actual operation progress up to 31 December 2012**
— Commencing conversion of the Heyuan Hotel	— The Group has changed the location of the 6th leased-and-operated hotel from Heyuan to Danshui, Guangdong Province, the PRC, which is expected to commence operation in the second half of 2013
— Commencing operation of the Fujian Hotel	— The Fujian Hotel has commenced operation since November 2011

Continue to expand the hotel consultancy business

Business objectives for the Review Period	**Actual operation progress up to 31 December 2012**
— Entering into two hotel consultancy agreements	— The Group has entered into 20 hotel consultancy agreements during the Review Period
— Participating in tradeshows, exhibitions and special public relation activities to identify potential hotel investors	— The Group has joined several exhibitions in the PRC and contacted few potential hotel investors

Expand the business by offering hotel management services

Business objectives for the Review Period	Actual operation progress up to 31 December 2012
— Entering into two hotel management agreements	— The Group had set up a new office in the PRC which focus the hotel management services. The Group entered two hotel management agreements in 2012

Continue to enhance the awareness of the brand name

Business objectives for the Review Period	Actual operation progress up to 31 December 2012
— Launching marketing campaign	— The Group has established a marketing department in October 2011 and set a marketing plan, including promotions and advertising
— Upgrading the internet booking system and the front desk booking system	— The Group has improved the internet booking system and the front desk booking system in November 2011

Business objectives for the Review Period	Actual operation progress up to 31 December 2012
— Promoting the membership programme	— Number of members increased compared 31 December 2011
— Improving design quality	— The Group has expanded its design team to improve the hotel design quality and the floor plan design process.

	Planned use of proceeds as stated in the Prospectus *HK$*	**Actual use of proceeds until 31 December 2012** *HK$*
Continue to expand the Group's leased-and-operated hotel portfolio with focus on the Southern PRC	36,660,000	36,660,000
Continue to expand the hotel consultancy business	80,000	80,000
Expand the business by offering hotel management services	1,400,000	1,400,000
Continue to enhance the awareness of the brand name	340,000	340,000

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 announcement, 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 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group had adopted Rules 5.48 to Rules 5.67 Rules 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. There was a sale of shares of the Company (the "Shares") by Mr. De Weyer, Daniel Ludovicus Joannes ("Mr. De Weyer"), who is one of the non-executive directors of the Company, on 11 April 2012 which constituted dealing in shares within the "black-out period" by a director of the Company contrary to Rule 5.56 of the GEM Listing Rules. The Company has an established system whereby the directors of the Company are required to first notify the chairman of the Board in writing and receive a dated written acknowledgement from the Chairman, before dealing in the Shares. The Company also maintains a written record of the notifications and acknowledgements in accordance with the GEM Listing Rules. However, the sales of Shares by Mr. DeWeyer had not been first notified in writing to the Chairman and no written acknowledgement had been issued by the Chairman to Mr. De Weyer. Mr. De Weyer has stated that the sale of Shares on 11 April 2012 was a complete administrative over-sight on his part and that he notified the Company upon realizing the mistake.

Having made specific enquiry with all the directors, save as the aforesaid, the directors of the Company had complied with the required standard of dealings and the code of conduct for directors' securities transactions during the year ended 31 December 2012.

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 four independent non-executive Directors. Mr. Wong Sui Chi, Frankie 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 2012 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 2012.

COMPETING BUSINESS

For the year ended 31 December 2012, 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

As at 31 December 2012, neither Quam Capital Limited, being 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).

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our customers, shareholders, bankers, and in turn the management and staff for their unreserved support for the Group during the year.

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

Hong Kong, 12 March 2013

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

Executive Directors:	Mr. Fong Man, Kelvin *(Chairman)*
	Ms. Fong Nga, Peggy
Non-Executive Director:	Mr. De Weyer, Daniel Ludovicus Joannes
Independent Non-Executive Directors:	Dr. Wong Hak Kun, Jerry
	Mr. Tam Kwok Ming, Banny
	Mr. Tsoi Wing Sum
	Mr. Wong Sui Chi, Frankie

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, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the 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.