THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Legend Strategy International Holdings Group Company Limited, you should at once hand this circular and proxy form enclosed herein to the purchaser or transferee or to the bank or stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

LEGEND STRATEGY INTERNATIONAL HOLDINGS GROUP COMPANY LIMITED

杉濬國際集團控股有限公司

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

(Stock Code: 1355)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO PROPOSED LEASE OF PREMISES IN THE PRC AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

SORRENTO CAPITAL LIMITED

擎 天 資 本 有 限 公 司

A notice convening an EGM of Legend Strategy International Holdings Group Company Limited to be held at Suite 1702, 17/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Friday, 17 June 2022 at 3:00 p.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of Legend Strategy International Holdings Group Company Limited in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for the holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

25 May 2022

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In this circular, unless the context otherwise requires, the following expressions have the following meaning:

"Announcement"	the announcement of the Company dated 14 April 2022 in relation to, among other things, the Lease Agreement
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	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, the issued Shares of which are listed on Main Board of the Stock Exchange (stock code: 1355)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be held and convened to consider and approve the Lease Agreement and the transactions contemplated thereunder
"Exclusivity Period"	an period which Shenzhen Zhaohua agreed pursuant to the Letter of Intents that it will not liaise or enter into any legal documents with any parties other than Shenzhen Legend in relation to the sales and lease of and cooperation in the Premises, being from the date of the First Letter of Intent, 24 December 2021 to 30 June 2022
"First Letter of Intent"	a letter of intent dated 24 December 2021 entered into between Shenzhen Legend and Shenzhen Zhaohua in relation to the Proposed Lease
"Group"	the Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Third Party(ies)"	person(s) who is(are) third party(ies) independent of the Company and connected persons of the Company
"Latest Practicable Date"	20 May 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Lease Agreement"	the lease agreement to be entered into between Shenzhen Legend, as tenant, and Shenzhen Zhaohua, as landlord, in respect of the Proposed Lease for an initial term of 15 years commencing from 1 December 2022 to 30 November 2037 subject to the Shareholders' approval at the EGM
"Letters of Intent"	the First Letter of Intent and the Second Letter of Intent
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Premises"	certain portion of a building under development in Bao'an District, Shenzhen, Guangdong Province, the PRC that Shenzhen Legend proposes to lease pursuant to the Lease Agreement
"Proposed Lease"	the proposed lease of the Premises by Shenzhen Legend, as tenant, pursuant to the Lease Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"Second Letter of Intent"	a letter of intent dated 7 April 2022 entered into between Shenzhen Legend and Shenzhen Zhaohua in relation to the Proposed Lease
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Legend"	深圳朸濬酒店管理有限公司 (transliterated as Shenzhen Legend Strategy Hotel Management Company Limited*), an indirect wholly-owned subsidiary of the Company

"Shenzhen Zhaohua"	深圳市招華會展實業有限公司 (transliterated as Shenzhen Zhaohua Exhibition Industry Company Limited*)
"sq.m."	square meters
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.

* *For identification purposes only*

LEGEND STRATEGY INTERNATIONAL HOLDINGS GROUP COMPANY LIMITED
杭濤國際集團控股有限公司
(a company incorporated in the Cayman Islands with limited liability)
(Stock Code: 1355)

Executive Directors:
Mr. Chen Wu *(Chief Executive Officer)*
Mr. Chung Tin Yan

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

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

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Headquarters and principal place of business in Hong Kong:
Suite 1702, 17/F
World-Wide House
19 Des Voeux Road Central
Central
Hong Kong

25 May 2022

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION
IN RELATION TO
PROPOSED LEASE OF PREMISES IN THE PRC
AND NOTICE OF
EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcements of the Company dated 24 December 2021, 7 April 2022 and 14 April 2022 in relation to, among other things, the entering into of the Letters of Intent for the Proposed Lease and extension of the Exclusivity Period to 30 June 2022 and the principal terms and conditions of the Lease Agreement.

As set out in the Announcement, the Board is pleased to announce that Shenzhen Legend, being an indirect wholly-owned subsidiary of the Company would like to establish a new accommodation project in Bao'an District, Shenzhen, Guangdong Province, the PRC and proposes to enter into the Lease Agreement, as tenant, with Shenzhen Zhaohua, as landlord, for the lease of the Premises for an initial term of 15 years commencing from 1 December 2022 to 30 November 2037, both days inclusive, after obtaining the approval of the Shareholders at the EGM.

The purpose of this circular is to provide you with, among others, further details of the Lease Agreement and such other information as required under the Listing Rules.

THE LEASE AGREEMENT

The principal terms of the Lease Agreement are set out below:

Parties	:	(i) Shenzhen Legend, as tenant; and (ii) Shenzhen Zhaohua, as landlord To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shenzhen Zhaohua and its ultimate beneficial owner(s) are Independent Third Parties.
Premises	:	Certain portion on the 1st floor to 13th floor of building No. 5 under development, namely Block D1, of project 會展灣里岸廣場 (transliterated as Exhibition Bay Li An Square*), Bao'an Airport New City, Bao'an District, Shenzhen, Guangdong Province, the PRC
Use	:	Commercial use
Total rentable area	:	Approximately 9,583 sq.m. subject to measurement upon completion of construction of the Premises
Rent free area	:	Certain area on 13th floor and basement floor
Initial term	:	From 1 December 2022 to 30 November 2037, both days inclusive, and unless both parties propose not to continue the lease after the initial term within last six months of the term, it shall be extended for another five years (i.e. from 1 December 2037 to 30 November 2042). If the Company decides to extend the term, it will comply with the relevant requirements of the Listing Rules.

Rent and payment terms : Shenzhen Legend shall pay the rents on three-month basis based on the fixed rent and turnover rent whichever is higher which include property management fee, tax relevant to the lease but exclusive of business taxes and other business-related expenses (such as water, electricity, gas, telephone charges, etc.) arising from business activities of Shenzhen Legend.

(i) Fixed rent

The fixed unit rent (tax inclusive) payable by Shenzhen Legend for lease of the Premises will be RMB80 per sq.m. per month and will increase by 6% for every three years during the term of the Lease Agreement. The rents shall be payable in advance and no later than ten days before the next three-month period begins.

(ii) Turnover rent

The turnover rent for every three-month period is equal to 35% of Shenzhen Legend's turnover during the period. Shenzhen Legend shall provide its operating results for the last three-month period to Shenzhen Zhaohua within the first ten days of every next three-month period. For avoidance of doubt, the turnover of Shenzhen Legend counted towards for computation of the turnover rent pursuant to the Lease Agreement refers to any income arising from its hotel operation at the Premises, being the area proposed to be leased, including but not limited to room charges, catering income, banquet income, rental income and joint corporation income without making any adjustments for taxes and relevant costs.

Shenzhen Legend should pay the fixed rent for every three-month period first and, if turnover rent exceeds the fixed rent for a particular three-month period, Shenzhen Legend should pay the difference within the first 30 days of the next three-month period.

It is currently estimated that the total fixed rent for the 15 year initial term payable under the Lease Agreement would be approximately RMB147.8 million, which is calculated based on (i) rentable area of 9,583 sq.m. of the Premises; (ii) 1% positive variance for the possible deviation in final rentable area of the Premises upon measurement at completion of construction of the Premises; (iii) fixed unit rent of RMB80 per sq.m. per month; and (iv) increase of 6% in the aforesaid fixed unit rent for every three years during the term of the Lease Agreement, taking into account the 12 month rent free period. Nevertheless, such estimated total fixed rent will be subject to (i) the final rentable area to be measured after completion of the construction of the Premises; and (ii) the additional amounts (being difference between turnover rent and fixed rent), if any, pursuant to the terms and conditions of the Lease Agreement.

The rent under the Lease Agreement is determined after arm's length negotiations between parties. In order to assess whether the fixed unit rent and turnover rent under the Lease Agreement are fair and reasonable, the Company has engaged Vincorn Consulting and Appraisal Limited ("**Vincorn**"), an independent valuer, to conduct valuation on the Premises (the "**Valuation**"). Details of the Board's assessment to the Valuation are set out below.

The consideration will be satisfied by internal resources of and facilities available to the Group.

Rent free period	:	12 months from the commencement of the Lease Agreement, being 1 December 2022 and until 30 November 2023, both days inclusive. However, if the Lease Agreement is terminated during the term of the Lease Agreement by Shenzhen Legend, Shenzhen Zhaohua shall have the right to claim compensation in respect of the provision of rent free period on the basis that: (i) if termination takes place during the rent free period Compensation amount = Length of rent free period used by Shenzhen Legend (in month) x Fixed monthly rent for the first three years of the term of the Lease Agreement (ii) if termination takes place after the rent free period Compensation amount = Remaining term of the Lease Agreement ÷ Entire term of the Lease Agreement x Length of rent free period (i.e. 12 months) x Fixed monthly rent for the first three years of the term of the Lease Agreement
Deposit	:	Shenzhen Legend shall pay a deposit in the amount of RMB1,600,000 to Shenzhen Zhaohua before entering into of the Lease Agreement as guarantee of the due performance and observance by Shenzhen Legend of its obligations throughout the term of the Lease Agreement. Pursuant to the Lease Agreement, the non-refundable earnest money paid by Shenzhen Legend in total amount of RMB1,600,000 pursuant to the Letters of Intent would become part of the deposit if the Lease Agreement is entered. Shenzhen Legend shall also pay a renovation deposit of RMB100,000 and an utility deposit of RMB50,000 to Shenzhen Zhaohua within 10 business days of the delivery of the Premises.

Conditions precedent : The commencement of the Lease Agreement shall be upon deliver of the Premises to Shenzhen Legend which is conditional to:

(i) Shenzhen Zhaohua will deliver the Premises to Shenzhen Legend in accordance with the delivery standards set out in the Lease Agreement and both parties agree with the final delivery standards, functions and actual area;

(ii) Shenzhen Legend can use the Premises independently and without any disturbance, and will not being affected by any adjacent properties;

(iii) the condition of the Premises upon delivery by Shenzhen Zhaohua to Shenzhen Legend does not involve any illegal structure which should meet the planning, fire safety, construction requirements or standards stipulated by the government, and should have passed a fire safety and completion acceptance and obtained the necessary administrative license, approval or filing, and comply with the relevant standards, requirements and technical specifications of hotel operation; and

(iv) the Premises has not been seized, distrained, or restricted in use by the courts or other government agencies and is not subject to any restrictions on rights such as mortgage and pledge.

As set out in the Lease Agreement, the provisional date of delivery of the Premises is 1 December 2022. If Shenzhen Zhaohua fails to deliver the Premises to Shenzhen Legend by the aforesaid provisional delivery date, the commencement date, rent free period and rental payment dates will be postponed.

The Board has reviewed the valuation report of the Premises (the "**Valuation Report**") prepared by Vincorn as set out in Appendix III to this circular and discussed with Vincorn regarding the methodology adopted for and the basis and assumptions used in arriving at the Valuation. The Board noted that market approach has been adopted to assess the rental income to be applied in income capitalisation analysis on the leasehold interest in accordance with the HKIS Valuation Standards 2020 with reference to the International Valuation Standards.

The market approach adopted by Vincorn in the Valuation involves the analysis of recent market evidence of similar properties to compare with the Premises and identification of leases comparable (the "**Comparable Leases**") to the Proposed Lease. The Board understands from Vincorn that four Comparable Leases have been selected for the Valuation in view of their property type, location, building age, size and lease term and all of them are recently identified in March 2022 when the Company was negotiating with Shenzhen Zhaohua on the terms of the Proposed Lease. Given all the Comparable Leases have tenure of 10 to 15 years similar to the Proposed Lease and are identified recently, and properties under the Comparable Lease are located in Bao'an district or Nanshan and Longhua districts in Shenzhen which are close to Bao'an district, the Board considers that they are fair and representative comparables for the Valuation. The Board has also reviewed adjustments to the unit rent of the Comparable Leases made by Vincorn when deducing the market rent of the Premises and noted that they are relating to, among others, location of property, age of property, size of property subject to the Comparable Leases and handover condition of property, and therefore is of the view that these adjustments are fair and reasonable. As regards the expected growth rate of 6% of the unit rent for every three years during the term of the Proposed Lease, Vincorn has taken into account the average rental growth rate of approximately 2% per annum of the Comparable Leases and considers that it is comparable to the 6% for every three years under the Lease Agreement.

Given that (i) the expected maximum fixed monthly rent of approximately RMB774,000 (being RMB80 per sq.m. per month times 9,583 sq.m. and with 1% positive variance for possible deviation upon measurement of actual rentable area upon completion of construction of the Premises) for the first three years under the Lease Agreement is comparable to the monthly market rent of approximately RMB776,000 as valued by Vincorn; (ii) the unit fixed rent of RMB80 per sq.m. per month is within the range of the Comparable Leases from RMB65.0 to RMB90.0 per sq.m. per month; (iii) the market rent and expected rental escalation of 6% for every three years throughout the tenure are consistent with those under the Lease Agreement; and (iv) the turnover rent percentage of 35% under the Lease Agreement is within the range of the Comparable Leases from 30% to 40% and comparable to the average of 34.5% and median of 34.0%, the Board, after the abovementioned assessment to the Valuation, considers that the terms of the Lease Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and that the Valuation can be relied on.

Since the total rentable area under the Lease Agreement is subject to measurement upon completion of construction of the Premises which may have an impact on the total rent payable, it is expected that the maximum value of the right-of-use asset to be recognised by the Group under the Lease Agreement would be approximately RMB99.4 million which is the present value of aggregated fixed lease payments, plus any initial direct costs and estimated reinstatement cost with the lease (if any) in accordance with HKFRS 16 "Leases". A discount rate of 5.30% per annum, the incremental borrowing rate of the Group for the relevant Lease Agreement, is applied to compute the present value of aggregate lease payments under the Lease Agreement. According to HKFRS 16, the discount rate can be derived by referring to the lessee's incremental borrowing rate, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

REASONS FOR AND BENEFITS OF PROPOSED LEASE OF THE PREMISES

Shenzhen Zhaohua is a company established in the PRC with limited liability and owned as to approximately 50% by each of 招商局蛇口工業區控股股份有限公司 (transliterated as China Merchants Shekou Industrial Zone Holdings Co., Ltd.*, "**CMSIZ**") and Shenzhen Overseas Chinese Town Co., Ltd. ("**SZOCT**"). The business scope of Shenzhen Zhaohua includes, among other things, real estate development, exhibition services, lease of self-owned properties, construction work, planning of cultural activities, property management and provision of accommodation services.

CMSIZ is a listed company in Shenzhen Stock Exchange (stock code: 001979.SZ) and owned as to approximately 58.14% by China Merchants Group Limited (招商局集團有限公司) and approximately 5.17% by China Merchants Steam Navigation Company Limited (招商局輪船有限公司), a company controlled by China Merchants Group Limited as at the Latest Practicable Date.

SZOCT is a listed company in Shenzhen Stock Exchange (stock code: 000069.SZ) and owned as to approximately 47.01% by Overseas Chinese Town Holdings Company Limited (華僑城集團有限公司) and approximately 7.29% by Qian Hai Life Insurance CO., LTD (前海人壽保險股份有限公司) as at the Latest Practicable Date.

Both CMSIZ and SZOCT are state-owned enterprises. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shenzhen Zhaohua and its ultimate beneficial owner(s) are Independent Third Parties.

The Group is principally engaged in accommodation operations, provision of accommodation consultations and accommodation facilities management services and other related business. As at the Latest Practicable Date, the Company has five leased-and-operated accommodation projects under operation in Shenzhen, Huizhou, Chengdu and Wuhan, the PRC.

Shenzhen Legend is an indirect wholly-owned subsidiary of the Company and the business scope of which is provision of hotel management services as at the Latest Practicable Date.

The Premises comprises certain portion on the 1st floor to 13th floor of building No. 5, namely Block D1, of project 會展灣里岸廣場 (transliterated as Exhibition Bay Li An Square*) on a parcel of land with site area of approximately 39,488.7 sq.m. (the "**Land**"), Bao'an Airport New City, Bao'an District, Shenzhen, Guangdong Province, the PRC which is under construction as at the Latest Practicable Date. According to the real estate certificate of the Land, Shenzhen Zhaohua is the sole obligee of the Land which is for commercial use for 40 years from November 2016 to November 2056.

During the year ended 31 December 2021, the Company recorded a revenue of approximately RMB70.6 million representing a growth of approximately 39.3% as compared to approximately RMB50.7 million for the year ended 31 December 2020. According to the annual report of the Company for the year ended 31 December 2021 (the "**2021 AR**"), such increase in revenue was mainly attributable to the revenue from accommodation facilities management and accommodation consultation services. The occupancy rate of the Group increased from approximately 71.0% for the year ended 31 December 2020 to approximately 74.0% for the year ended 31 December 2021 whereas average room revenue per available room night of the Group increased from approximately RMB194.2 for the year ended 31 December 2020 to approximately RMB208.7 for the year ended 31 December 31 December 2021. According to the 2021 AR, the total available room nights of the Group increased by approximately 39.6% in 2021 mainly due to the commencement of operation of Chengdu branch and Wuhan branch.

According to the 2021 AR, the Group has expanded its service scope by focusing on accommodation consulting and management services, including diversified and high-quality products and services in a targeted manner such as hostels, elderly apartments and elderly resorts so as to expand its market share. The Premises is being constructed in the Land within Bao'an Airport New City which is in close proximity to Bao'an International Airport, Shenzhen World Exhibition & Convention Center (深圳國際會展中心) and coastline of Guangdong-Hong Kong-Macao Greater Bay Area ("**Greater Bay Area**"). It is expected that the accommodation project in the Premises would provide approximately 144 rooms, conference room(s), restaurant(s) and gymnasium. Due to the strategic location of the Premises and the prospect of Greater Bay Area, the Company considers the Proposed Lease of the brand new Premises as an appealing opportunity to expand its accommodation business. The Company currently expects that the development of the Premises would complete in around the fourth quarter of 2022.

Taking into account (i) the opportunities for the Group to expand its accommodation business in the PRC which will enhance the scale and profile of the Group's accommodation business; (ii) the strategic location of the Premises; and (iii) the revenue stream of the Group is expected to be broaden by the operation of the new accommodation project in the Premises, the Directors consider that the entering into of the Lease Agreement is in ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole and the terms and conditions thereunder are fair and reasonable and on normal commercial terms.

POSSIBLE FINANCIAL EFFECTS ON THE GROUP UNDER THE LEASE AGREEMENT

Since Shenzhen Legend shall pay (i) rental deposit of RMB1,600,000 of which RMB800,000 was paid in the financial year ended 31 December 2021 and RMB800,000 was paid in the financial year ending 31 December 2022 respectively as earnest money; and (ii) renovation and utility deposits in aggregate of RMB150,000 following the commencement of the Lease Agreement, such rental deposits would be treated as non-current deposits and such renovation and utility deposits would be treated as current deposits upon commencement of the Proposed Lease. On the other hand, the Company expects to incur professional fee of approximately HK$1,690,000 for advisory, legal, accounting, valuation etc. in connection with the Proposed Lease which would be treated as current liabilities of the Group and affect the earnings of the Group upon settlement.

Pursuant to HKFRS 16, the entering into of the Lease Agreement as tenant will require the Group to recognise a right-of-use asset. Therefore, the Lease Agreement, if entered, will be regarded as acquisition of asset by the Company under the Listing Rules. Set out below is the accounting treatment of the Group in relation to the right-of-use asset:

Right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentive, payments at or prior to commencement and restoration obligations or similar. After lease commencement, a lessee shall measure the right-of-use asset using a cost model, unless:

(i) the right-of-use asset is an investment property and the lessee fair values its investment property under HKAS 40; or

(ii) the right-of-use asset relates to a class of plant, property and equipment to which the lessee applies HKAS 16's revaluation model, in which case all right-of-use asset relating to that class of plant, property and equipment can be revalued.

Under the cost model a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

According to the unaudited pro forma consolidated statement of assets and liabilities of the Group as set out in the Appendix II to this circular, the maximum value of right-of-use asset to be recognised by the Group would be approximately RMB99.4 million under the Lease Agreement (without taking into account any variable lease payment such as turnover pursuant to the Lease Agreement). Along with the recognition of the right-of-use asset, the lease liabilities in the same amounts are expected to be recognised. Since the Premises will be occupied for running the accommodation business of the Group, the expenses of the Group in relation to the Proposed Lease, being depreciation of right-of-use assets and finance costs in the consolidated financial statements of the Group, are expected to increase as after entering into the Lease Agreement.

The accompanying unaudited pro forma financial information of the Group has been prepared to illustrate the effect of the Lease Agreement. Furthermore, the total rentable area under the Lease Agreement is subject to measurement upon completion of construction of the Premises and the actual rents payable under the Lease Agreement are subject to turnover rent arrangement which may have an impact on the total rent payable and the actual rents payable. It should however be noted that the ultimate effects on the assets and liabilities and profit and loss of the Group as a result of the Lease Agreement are subject to audit by the auditors of the Company.

LISTING RULES IMPLICATIONS

Pursuant to HKFRS 16, the entering into of the Lease Agreement as tenant will require the Group to recognise a right-of-use asset. Therefore, the Lease Agreement, if entered, will be regarded as acquisition of asset by the Company under the Listing Rules. Since the total rentable area under the Lease Agreement is subject to measurement upon completion of construction of the Premises which may have an impact on the total rent payable, it is expected that the maximum value of right-of-use asset to be recognised by the Group would be approximately RMB99.4 million under the Lease Agreement (without taking into account any variable lease payment such as turnover pursuant to the Lease Agreement).

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Lease Agreement is more than 100%, the Lease Agreement, if entered, will constitute a very substantial acquisition of the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge of the Directors, as no Shareholders or any of their respective associates has a material interest in the Lease Agreement and the transactions contemplated thereunder, no Shareholders will be required to abstain from voting at the EGM for approving the same.

EGM

The EGM will be convened and held for the Shareholders to, among other things, consider and, if thought fit, approve the Lease Agreement and the transactions contemplated thereunder before entering into of the Lease Agreement by the Shenzhen Legend. The voting in respect of the Lease Agreement and the transactions contemplated thereunder at the EGM will be conducted by way of poll.

A notice convening the EGM to be held at Suite 1702, 17/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Friday, 17 June 2022 at 3:00 p.m. is set out on pages EGM-1 to EGM-4 of this circular for the purpose of considering and, if thought fit, approving the ordinary resolution set out therein.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy, in accordance with the instructions printed thereon and deposit the same at the share registrar of the Company, Union Registrars Limited, at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Lease Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolution as set out in the notice of the EGM.

FURTHER INFORMATION

Your attention is drawn to the additional information of the Group as set out in the appendices to this circular.

For and on behalf of the Board
Legend Strategy International Holdings Group Company Limited
Yuan Fuer
Chairman

* *For identification purposes only*

1. FINANCIAL INFORMATION OF THE GROUP

Details of the audited financial information of the Group for each of the years ended 31 December 2019, 2020 and 2021 are disclosed in the following annual reports of the Company for the years ended 31 December 2019, 2020 and 2021 respectively, which have been published and are available on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.legend-strategy.com):

(a) the annual report of the Company for the year ended 31 December 2019 published on 17 April 2020 (pages 81 to 154) in relation to the financial information of the Group for the same year (https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0417/2020041700586.pdf);

(b) the annual report of the Company for the year ended 31 December 2020 published on 22 April 2021 (pages 86 to 191) in relation to the financial information of the Group for the same year (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042200953.pdf); and

(c) the annual report of the Company for the year ended 31 December 2021 published on 22 April 2022 (pages 93 to 195) in relation to the financial information of the Group for the same year (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0422/2022042200963.pdf).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2022, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness are as follows:

Shareholder borrowings

As at 31 March 2022, the Group had borrowings from its controlling Shareholder (as defined in the Listing Rules), Hehui International Development Limited ("**Hehui**"), of approximately HK$22.8 million which are unsecured, non-interest bearing and repayable on demand.

Lease liabilities

As at 31 March 2022, the Group had lease liabilities of approximately HK$177.6 million which are unguaranteed and unsecured.

Amounts due to non-controlling interests

As at 31 March 2022, the Group had amounts due to non-controlling interests of approximately HK$26.3 million which are unguaranteed and unsecured, non-interest bearing and repayable on demand.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of the business, as at the close of business on 31 March 2022, the Group did not have any debt securities, issued and outstanding, and authorised or otherwise created but unissued, and term loans, any other outstanding loan capital, any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or similar indebtedness, debentures, mortgages, charges, loans, acceptance credits, hire purchase commitments, guarantees or other contingent liabilities.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there has been no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

4. WORKING CAPITAL

The Directors are of the opinion that, taking into account the Group's available financial resources, including (i) the expected cash flows from operating activities of the Group; (ii) the available credit facilities of the Group; (iii) Hehui has undertaken not to demand repayment for the shareholder borrowings due by the Group until the Group can meet all the other obligations; (iv) Hehui has agreed to provide adequate funds for the Group to meet its liabilities as they fall due, of which the beneficial owner has agreed to undertake the amount; and (v) the non-controlling interests have confirmed that they would not request the repayment of the amounts due from the Group within the period up to 31 March 2024, the Group would have sufficient working capital for its present requirements, that is for at least 12 months from the date of publication of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As at the Latest Practicable Date, the Group had five leased-and-operated accommodation projects under operation (i.e. Huizhou Branch, Nanshan Branch, Baoan Branch, Chengdu Branch and Wuhan Branch). In view of the uncertainty hovering over revenue from the accommodation operation business due to the pandemic, the Group continued to explore ways to broaden and stabilise its revenue base and source of income as well as to improve the performance of the Group such as the provision of accommodation facility management and consultations services which are considered to be less impacted by the pandemic.

As at the Latest Practicable Date, the five accommodation projects of the Group offer around 650 rooms in total. According to the 2021 AR, approximately 74.9% and 82.0% of total revenue of the Group for the year ended 31 December 2020 and 2021 respectively were contributed by accommodation operations and provision of accommodation facilities management services. Therefore, accommodation operations have been major business of the Group.

Currently three out of five accommodation projects of the Group are located in Shenzhen and Huizhou, which are located in Greater Bay Area. According to the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區發展規劃綱要) issued by The State Council of the PRC on 18 February 2019, both (i) Shenzhen will be built as a core city for regional development to continue leveraging its comparative advantages in striving for excellence and achievements, and strengthen the radiating effect in leading the development of nearby regions; and (ii) Huizhou will be supported as a key note city to leverage its strengths, deepen reform and innovation, enhance the composite strengths and to enhance coordination in development, strengthen interaction and cooperation with core cities.

Therefore, the Company believes that Shenzhen and Huizhou would be benefit from the development plan of Greater Bay Area and the new accommodation project at the Premises is expected to provide around 144 rooms which would significantly improve the scale of operation, in terms of number of rooms, by approximately 20% and broaden the customer base and source of revenue of the Group.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is a management discussion and analysis of the Group's results of operation for each of the three years ended 31 December 2019, 2020 and 2021. The information set out below is principally extracted from the relevant annual reports of the Company in order to provide further information relating to the financial condition and results of operations of the Group during the periods stated.

The Group is principally engaged in accommodation operations, provision of accommodation consultations and accommodation facilities management services and other related business. As at the Latest Practicable Date, the Company has five leased-and-operated accommodation projects under operation in Shenzhen, Huizhou, Chengdu and Wuhan, the PRC.

(i) For the year ended 31 December 2019

Business Review

For the year ended 31 December 2019, the Group had four leased-and-operated accommodation projects. Revenue from operations of accommodation projects during the year was mainly derived from rental of accommodation and conference rooms.

Accommodation project operations

With respect to the operation of accommodation projects, for the year ended 31 December 2019, the revenue was approximately HK$45.6 million, representing a slight increase of less than 1% as compared with revenue of approximately HK$45.5 million for the last year. As disclosed in the announcement of the Company dated 30 April 2018, the Group successfully acquired the entire interests in 惠州合正東部灣旅遊服務有限公司 (transliterated as Huizhou He Zheng East Coast Tourism Limited for identification purpose) to increase the number of available rooms and expand the size of the Group's accommodation business. The increase in revenue was mainly attributable to the increase in revenue brought by the accommodation projects (the "**Huizhou Branch**") under the aforesaid acquired company which was opened in June 2018. During the year, Huizhou Branch maintained its edge as the second half of 2018 with stable performance.

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

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

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

During the year, despite the small-scale renovation including the repair of ceilings and walls and the replacement of in-room electrical appliances and bed linens carried out in the Luohu Branch in the second quarter of 2018, the gradually aged decoration of the interior casted certain impact on the attractiveness of the rooms. As a result, the revenue of the Luohu Branch decreased as compared with last year.

The revenue of the Baoan Branch decreased during the year as this accommodation project has been experiencing the climb-up stage of business after the comprehensive renovation was carried out. However, the comprehensive renovation completed during the year should solve the problems created by the aged decoration of the interior of the Baoan Branch and thus provide support to the Group's sales team, enhance the service quality and boost both number of guests and revenue effectively.

Financial Review

For the year ended 31 December 2019, the Group recorded revenue of approximately HK$45.6 million, compared with approximately HK$45.5 million for the last year, representing a slight increase of less than 1%. The Group recorded a total comprehensive loss of approximately HK$15.7 million for the year ended 31 December 2019 compared with approximately HK$5.3 million for the last year, representing an increase of approximately 199.0%. The increase in total comprehensive loss was mainly attributable to the increase in other operating expenses. The increase in total comprehensive loss was also due to the absence of a one-off gain on disposal of subsidiaries during the year.

Analysis on financial conditions

Operating Costs

The total operating costs increased by approximately HK$1.5 million, or approximately 2.8%, from approximately HK$51.6 million for last year to approximately HK$53.0 million for the year ended 31 December 2019. Depreciation of right-of-use assets decreased by approximately HK$0.7 million or approximately 4.8% due to the reduction of rental space resulted from the relocation of Hong Kong office in May 2018 offset by the rental expenses of the newly acquired Huizhou Branch. Depreciation of property, plant and equipment decreased by approximately HK$1.8 million or approximately 30.5% primarily due to the disposal of property, plant and equipment in prior year.

Employee benefit expenses increased by approximately HK$0.8 million or approximately 5.0% mainly attributable to the full year effect contributed by the newly acquired Huizhou Branch and the establishment of brand development team and investment team. Utilities decreased by approximately HK$0.6 million or approximately 20.1% mainly attributable to the reduced electricity charge due to government refund during the year.

Other operating expenses increased by approximately HK$3.7 million or approximately 32.4% due to the increase in operating costs brought by the newly acquired Huizhou Branch and the one-off impairment loss of right-of-use assets and property, plant and equipment made during the year, partially offset by the impact of the cost saving measures adopted by the Group during the year to lower the operating costs.

Finance Cost

The finance costs increased by approximately HK$0.5 million to approximately HK$3.6 million as compared with last year. It mainly represented the lease interest and the interest expenses for the borrowings from China Medical Overseas Limited.

Liquidity and financial resources

During the year ended 31 December 2019, the Group mainly financed its operations and expansion with its own working capital generated internally and borrowings from Hehui (with principal amount of approximately HK$15.0 million as at 31 December 2019, unsecured, interest-free and repayable on demand).

As at 31 December 2019, the Group had bank balances and cash of approximately HK$11.2 million (31 December 2018: approximately HK$27.6 million). Gearing ratio was calculated as the amount of interest bearing borrowings divided by total equity. The gearing ratio as at 31 December 2019 was N/A (31 December 2018: N/A).

The Group was in net current liabilities position of approximately HK$22.5 million as at 31 December 2019. The controlling shareholder had agreed to provide continuing financial support to the Company to enable it to meet its liabilities as and when they fall due and to enable the Company to continue its operations for the foreseeable future. Consequently, the financial statements are prepared on a going concern basis.

Significant investment held, material acquisitions or disposals of subsidiaries and affiliated companies, and future plans for material investment or capital assets

As mentioned in the announcement of the Company dated 18 July 2019, a wholly owned subsidiary of the Group and the landlord entered into a tenancy agreement in respect of the renewal of the tenancy of the properties on which the Nanshan Branch operates. Pursuant to HKFRS 16, following the conclusion of this tenancy agreement as tenant, the Group should recognize an asset representing its right to use the relevant properties in the amount of approximately RMB11.2 million calculated with reference to the present value of the fixed rental payments as discounted using a discount rate which is equivalent to the Company's incremental borrowing rate during the entire term of this tenancy agreement. As such, the transaction contemplated under this tenancy agreement was regarded as an acquisition of asset by the Group for the purpose of the Listing Rules.

Save as disclosed above, during the year ended 31 December 2019, there was no significant investment held or material acquisition or disposal of subsidiaries, associates and joint ventures by the Group, and the Company had no future plan for material investments or capital assets.

Foreign exchange risk

For the year ended 31 December 2019, the Group's majority of the assets and liabilities, and income and expenses were denominated in Renminbi and Hong Kong

Dollar. The Group had no significant exposure to fluctuations in exchange rates under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Capital structure

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

Employee and remuneration policies

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

Charges on assets

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

Capital commitments and contingent liabilities

As at 31 December 2019, the Group had outstanding capital commitments which were not provided for in the Group's financial statements, among which HK$32,356 (31 December 2018: approximately HK$3.6 million) commitments were contracted for. As at 31 December 2019, the Group had no material contingent liabilities (31 December 2018: Nil).

(ii) For the year ended 31 December 2020

For the year ended 31 December 2020, the Group had three leased-and-operated accommodation projects under operation (i.e. Huizhou Branch, Nanshan Branch, Baoan Branch) and two leased-and-operated accommodation projects under development (i.e. Chengdu Branch and Wuhan Branch). Revenue from operations of accommodation projects during the year was mainly derived from rental of accommodation and conference rooms and provision of accommodation facilities management and accommodation consultations services.

Accommodation project operations

With respect to the operation of accommodation projects, for the year ended 31 December 2020, the revenue was approximately HK$50.7 million, representing an increase of approximately 11.2% as compared with revenue of approximately HK$45.6

million for the last year. In the first quarter of 2020, the Company announced that the Group's management had decided (i) not to renew the tenancy agreement for Luohu Branch after its expiry on 31 January 2020; and (ii) not to seek renewal of the tenancy of the part of the property operated as Huizhou Branch, and decided to devote the available resources to the other accommodation projects of the Group and other investment and enhancement opportunities in the PRC and Hong Kong, such as the remaining 188 rooms in Huizhou Branch, Chengdu Branch and Wuhan Branch. As disclosed in the circular of the Company dated 26 March 2020 (the "**Chengdu & Wuhan Circular**"), the Group proposed to, among other things, to enter into tenancy agreements, as tenant, for a property located in Chengdu and a property in Wuhan, the PRC in order to commence its new accommodation business with around 200 accommodation places therein.

As mentioned in the annual report of the Company for the year ended 31 December 2020 (the "**2020 AR**"), Huizhou Branch at the resort area did not record a huge decrease in its total annual revenue despite the impact of the pandemic due to the principle of internal economic circulation in the PRC. The revenue of Huizhou Branch started to pick up in the second quarter of 2020 as the market gradually recovers from the pandemic and the newly promoted "Staycation" trend in the region. With the pandemic in the PRC brought under control in the second quarter of 2020 and increased number of rooms after renovation, Nanshan Branch recorded an increase in its revenue in the second half of 2020. Although the revenue of Baoan Branch was impacted by the pandemic in the first quarter of 2020, the occupancy rate of the branch started to restore its normal level in the second quarter of 2020, due to the comprehensive renovation in recent years and the improving pandemic situation.

Accommodation Facility Management and Accommodation Consultations Services

According to the 2020 AR, in view of the uncertainty hovering over revenue from the accommodation operation business due to the pandemic, the Group continued to explore ways to broaden and stabilise its revenue base and source of income as well as to improve the performance of the Group such as the provision of accommodation facility management and consultations services which are considered to be less impacted by the pandemic. For facility management services, the Group provided accommodation facility outsourcing management services including services such as professional cleaning, sterilization, inventory supply management and quality management. For accommodation consultations services, the Group provided consultations services for setting up hotels, guesthouses, inns, resorts and other accommodation projects, such as performing market research and investment feasibility analysis, provision of accommodation construction and design consultations services.

Financial Review

For the year ended 31 December 2020, the Group recorded revenue of approximately HK$50.7 million, compared with approximately HK$45.6 million for the last year, representing an increase of approximately 11.2%. The Group recorded a total comprehensive loss of approximately HK$1.6 million for the year ended 31 December 2020 as compared with approximately HK$15.7 million for the last year. The improvement in total comprehensive loss was mainly attributable to the revenue from accommodation facilities management and accommodation consultation services and the decrease in other operating expenses.

Analysis on financial conditions

Operating Costs

The total operating costs decreased by approximately HK$4.7 million, or approximately 8.8%, from approximately HK$53.0 million for last year to approximately HK$48.4 million for the year ended 31 December 2020. Depreciation of right-of-use assets increased by approximately HK$3.3 million or approximately 22.6% due to the newly established Chengdu Branch and Wuhan Branch offsetting a decrease in the depreciation charge after cessation of Luohu Branch and certain portion of Huizhou Branch during the year.

Employee benefit expenses decreased by approximately HK$2.4 million or approximately 14.3% mainly attributable to lay off of manpower due to expiry of the tenancy agreements of some branches during the year. Utilities decreased by approximately HK$0.7 million or approximately 29.0% mainly attributable to the reduced electricity charge due to government refund during the year.

Other operating expenses decreased by approximately HK$3.9 million or approximately 25.7% mainly due to the impact of the cost saving measures adopted by the Group during the year to lower the operating costs.

Finance Cost

The finance costs increased by approximately HK$1.9 million to approximately HK$5.5 million as compared with last year. It mainly represented the interests accrued from lease liabilities arising from the conclusion of new tenancy agreements of Chengdu Branch and Wuhan Branch, and offset early repayment of the interest expenses incurred from borrowings from China Medical Overseas Limited for the last financial year.

Liquidity and financial resources

During the year ended 31 December 2020, the Group mainly financed its operations and expansion with its own working capital generated internally and borrowings from Hehui (with principal amount of approximately HK$37.0 million as at 31 December 2020 which are unsecured, interest-free and repayable on demand).

As at 31 December 2020, the Group had bank and cash balances of approximately HK$20.0 million (31 December 2019: approximately HK$11.2 million). Gearing ratio was calculated as the amount of interest bearing borrowings divided by total equity. The gearing ratio as at 31 December 2020 was N/A (31 December 2019: N/A).

The Group was in net current liabilities position of approximately HK$57.1 million as at 31 December 2020. Hehui had agreed to provide continuing financial support to the Company to enable it to meet its liabilities as and when they fall due and to enable the Company to continue its operations for the foreseeable future. Consequently, the financial statements are prepared on a going concern basis.

Significant investment held, material acquisitions or disposals of subsidiaries and affiliated companies, and future plans for material investment or capital assets

As mentioned in the Chengdu & Wuhan Circular, (i) 深圳枋浚酒店管理有限公司 (transliterated as Shenzhen Legend Strategy Hotel Management Company Limited for identification purposes), an indirect wholly-owned subsidiary of the Company, entered into two conditional agreements with two Independent Third Parties respectively for establishment of joint venture companies in Chengdu and Wuhan respectively; (ii) the two new joint venture companies would lease two properties located in Chengdu and Wuhan, the PRC respectively for the development of accommodation business therein; and (iii) the two new joint venture companies would become non-wholly owned subsidiaries of the Company. For details of the transactions, please refer to the Chengdu & Wuhan Circular. Pursuant to HKFRS 16, the entering into of tenancy agreements as tenant will require the Company to recognise a right-of-use asset. Therefore, the entering into of the tenancy agreements as stated above were regarded as acquisitions of assets by the Company under the Listing Rules. The value of right-of-use assets recognised by the Company upon commencement of lease term was approximately RMB48.6 million under the tenancy agreement in respect of property in Chengdu and approximately RMB63.2 million under the tenancy agreement in respect of property in Wuhan respectively.

Save as disclosed above, during the year ended 31 December 2020, there was no significant investment held or material acquisition or disposal of subsidiaries, associates and joint ventures by the Group, and the Company had no future plan for material investments or capital assets.

Foreign exchange risk

For the year ended 31 December 2020, the Group's majority of the assets and liabilities, and income and expenses were denominated in Renminbi and Hong Kong Dollar. The Group had no significant exposure to fluctuations in exchange rates under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Capital structure

The total number of the issued shares of the Company was 448,363,708 as at 31 December 2020 (31 December 2019: 448,363,708 Shares).

Employee and remuneration policies

The Group had 124 employees as at 31 December 2020 (31 December 2019: 84 employees). Remuneration was determined with reference to market terms and performance, qualifications and experience of individual employee. Discretionary bonuses based on individual performance would be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to retirement scheme.

Charges on assets

As at 31 December 2020, the Group did not have any charges on its assets (31 December 2019: Nil).

Capital commitments and contingent liabilities

As at 31 December 2020, the Group had outstanding capital commitments which were not provided for in the Group's financial statements, among which approximately HK$12.0 million (31 December 2019: approximately HK$32,000) commitments were contracted for. As at 31 December 2020, the Group had no material contingent liabilities (31 December 2019: Nil).

(iii) For the year ended 31 December 2021

For the year ended 31 December 2021, the Group had five leased-and-operated accommodation projects under operation (i.e. Huizhou Branch, Nanshan Branch, Baoan Branch, Chengdu Branch and Wuhan Branch). Revenue from operations of accommodation projects during the year was mainly derived from rental of accommodation and conference rooms and provision of accommodation facilities management and accommodation consultations services.

Accommodation project operations

With respect to the operation of accommodation projects, for the year ended 31 December 2021, the revenue was approximately HK$70.6 million, representing an increase of approximately 39.3% as compared with revenue of approximately HK$50.7 million for the last year. In the first half of 2021, the Company commenced operation of two new accommodation projects, namely Chengdu Branch and Wuhan Branch in the PRC.

As mentioned in the 2021 AR, despite a significant reduction in available rooms of Huizhou Branch due to the expired lease of one of the blocks in 2020, its occupancy rate increased significantly as compared with the same period of last year due to the improved business prospects for the accommodation, and the overall room revenue largely remained at the same level as last year. Nanshan Branch recorded an increase in revenue for the year ended 31 December 2021 as compared with the last year mainly due to recovery of the domestic tourism market and the accelerated recovery of the consumer sentiment. Benefiting from the improvements brought by the comprehensive renovation of Baoan Branch in recent years and the rebound in the tourism industry, the occupancy rate of Baoan Branch continued to improve in 2021. In cooperation with the municipal government's pandemic prevention measures in response to recurrent outbreaks in Chengdu, the Chengdu Branch was temporarily closed for several months during the year ended 31 December 2021 which limited the income generated from the Chengdu Branch for the year. However, the municipal government introduced measures to control the pandemic to restore local economic and livelihood activities as soon as possible. With the epidemic prevention and control as well as economic recovery in PRC, coupled with the popularity of vaccination, the long-suppressed consumer demand in Wuhan was released and the tourism market stabilized and recovered. The Wuhan Branch has taken into account the then situation and strengthened its management and steady operation to achieve the expected results.

Accommodation Facility Management and Accommodation Consultations Services

According to the 2021 AR, in view of the uncertainty hovering over revenue from the accommodation operation business due to the pandemic, the Group continued to explore ways to broaden and stabilise its revenue base and source of income as well as to improve the performance of the Group such as the provision of accommodation facility management and consultations services which are considered to be less impacted by the pandemic. For facility management services, the Group provided accommodation facility outsourcing management services including services such as professional cleaning, sterilization, inventory supply management and quality management. For accommodation consultations services, the Group provided consultations services for setting up hotels, guesthouses, inns, resorts and other accommodation projects, such as performing market research and investment feasibility analysis, provision of accommodation construction and design consultations services.

Financial Review

For the year ended 31 December 2021, the Group recorded revenue of approximately HK$70.6 million, compared with approximately HK$50.7 million for the last year, representing an increase of approximately 39.3%. The Group recorded a total comprehensive loss of approximately HK$4.0 million for the year ended 31 December 2021 as compared with approximately HK$1.6 million for the last year. The increase in total comprehensive loss was mainly attributable to the gloomy of accommodation service industries amid the pandemic in the second half of 2021 the additional costs associated with the commencement of operation of Chengdu Branch and Wuhan Branch.

Analysis on financial conditions

Operating Costs

The total operating costs increased by approximately HK$18.5 million, or approximately 38.2%, from approximately HK$48.4 million for last year to approximately HK$66.9 million for the year ended 31 December 2021. Depreciation of right-of-use assets increased by approximately HK$4.2 million or approximately 23.7% due to the depreciation of right-of-use assets relating to the lease of properties occupied by Chengdu Branch and Wuhan Branch after commencement of operation during the year. Depreciation of property, plant and equipment increased by approximately HK$5.1 million or approximately 165.9%, primarily due to the depreciation of Chengdu Branch and Wuhan Branch after their commencement of operation during the year.

Employee benefit expenses increased by approximately HK$6.8 million or approximately 47.1% mainly due to the increase in headcounts following the commencement of Chengdu Branch and Wuhan Branch during the year. Utilities increased by approximately HK$1.8 million or approximately 102.7% mainly attributable to the increase in average occupancy rate during the year.

Other operating expenses increased by approximately HK$0.7 million or approximately 5.8% mainly due to the impact of the cost saving measures adopted by the Group during the year to lower the operating costs.

Finance Cost

The finance costs increased by approximately HK$2.6 million to approximately HK$8.1 million as compared with last year. It mainly represented the interests accrued from lease liabilities arising from the entering into of new tenancy agreements of Chengdu Branch and Wuhan Branch during the second half of 2020.

Liquidity and financial resources

During the year ended 31 December 2021, the Group mainly financed its operations and expansion with its own working capital generated internally and borrowings from Hehui (with principal amount of approximately HK$22.8 million as at 31 December 2021 which are unsecured, interest-free and repayable on demand).

As at 31 December 2021, the Group had bank and cash balances of approximately HK$14.3 million (31 December 2020: approximately HK$20.0 million). Gearing ratio was calculated as the amount of interest bearing borrowings divided by total equity. The gearing ratio as at 31 December 2021 was N/A (31 December 2020: N/A).

The Group was in net current liabilities position of approximately HK$59.4 million as at 31 December 2021. Hehui had agreed to provide continuing financial support to the Company to enable it to meet its liabilities as and when they fall due and to enable the Company to continue its operations for the foreseeable future. Consequently, the financial statements are prepared on a going concern basis.

Significant investment held, material acquisitions or disposals of subsidiaries and affiliated companies, and future plans for material investment or capital assets

During the year ended 31 December 2021, there was no significant investment held or material acquisition or disposal of subsidiaries, associates and joint ventures by the Group during the year, and the Company had no future plan for material investments or capital assets.

Foreign exchange risk

For the year ended 31 December 2021, the Group's majority of the assets and liabilities, and income and expenses were denominated in Renminbi and Hong Kong Dollar. The Group had no significant exposure to fluctuations in exchange rates under foreign exchange contracts, interest, currency swaps or other financial derivatives.

Capital structure

The total number of the issued shares of the Company was 448,363,708 as at 31 December 2021 (31 December 2020: 448,363,708 Shares).

Employee and remuneration policies

The Group had 129 employees as at 31 December 2021 (31 December 2020: 124 employees). Remuneration was determined with reference to market terms and performance, qualifications and experience of individual employee. Discretionary bonuses based on individual performance would be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to retirement scheme.

Charges on assets

As at 31 December 2021, the Group did not have any charges on its assets (31 December 2020: Nil).

Capital commitments and contingent liabilities

As at 31 December 2020, the Group had outstanding capital commitments which were not provided for in the Group's financial statements, among which approximately HK$12.0 million commitments were contracted for. As at 31 December 2021, the Group had no outstanding capital commitments. As at 31 December 2021, the Group had no material contingent liabilities (31 December 2020: Nil).

INTRODUCTION

The following unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") has been prepared by Legend Strategy International Holdings Group Company Limited (the "**Company**") to illustrate the consolidated financial position of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**"), as if the proposed lease in the PRC (the "**Proposed Lease**") had been commenced on 31 December 2021. Details of the Proposed Lease are set out in "Letter from the Board" contained in this Circular.

The Unaudited Pro Forma Financial Information of the Group has been prepared in accordance with Paragraph 4.29 of the Listing Rules and is for illustrating the financial position of the Group as if the Proposed Lease had been commenced on 31 December 2021.

The Unaudited Pro Forma Financial Information of the Group is prepared based upon the Group's audited consolidated statement of financial position as at 31 December 2021 as extracted from the Company's published annual report for the year ended 31 December 2021 after making certain pro forma adjustments that are (i) directly attributable to the Proposed Lease; and (ii) factually supportable.

The Unaudited Pro Forma Financial Information of the Group is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, it may not give a true picture of financial position of the Group had the Proposed Lease been commenced as at 31 December 2021 to or at any future dates, whichever are applicable.

The Unaudited Pro Forma Financial Information of the Group should be read in conjunction with the historical financial information of the Group as set forth in the published annual report of the Company for the year ended 31 December 2021 and other financial information included elsewhere in this Circular.

Unaudited Pro Forma Consolidated Statement of Financial Position of the Group

	Note 1	*Note 2*	*Note 3*	*Note 4*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Property, plant and equipment	45,450				45,450
Rental deposits	4,567		1,965		6,532
Goodwill	2,064				2,064
Prepayments	63				63
Right-of-use assets	159,519	122,586			282,105
Deferred tax assets	2,051				2,051
	213,714				338,265
Current assets					
Rental deposits	44				44
Prepayments, deposits and other receivables	4,216		(794)		3,422
Financial assets at FVTPL	2,749				2,749
Trade receivables	4,786				4,786
Inventories	379				379
Bank and cash balances	14,296		(1,171)		13,125
	26,470				24,505
Total assets	240,184				362,770
Current liabilities					
Trade and other payables	35,975			1,690	37,665
Tax payable	2,078				2,078
Lease liabilities	25,025				25,025
Borrowings	22,767				22,767
	85,845				87,535
Net current liabilities	(59,375)				(63,030)
Total assets less current liabilities	154,339				275,235

	Note 1	*Note 2*	*Note 3*	*Note 4*	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities					
Provision for asset retirement	480				480
Lease liabilities	155,831	122,586			278,417
	156,311				278,897
Net liabilities	(1,972)				(3,662)
Equity					
Capital and reserves					
Share capital	4,484				4,484
Reserves	7,839			(1,690)	6,149
Equity attributable to owners of the Company	12,323				10,633
Non-controlling interests	(14,295)				(14,295)
Capital deficiency	(1,972)				(3,662)

Notes:

1. The carrying amount of the assets and liabilities of the Group are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2021 included in the published annual report of the Company for the year ended 31 December 2021, on which an independent auditors' report contained a "Material Uncertainty Related to Going Concern" paragraph has been published.

2. These adjustments represented the addition of right-of-use assets in respect of a property being leased under the Lease Agreement and the corresponding lease liabilities.

   The Proposed Lease is for a period of 15 years and the Group applied incremental borrowing rate of approximately 5.30% to the lease. Further details of the Proposed Lease are disclosed in the paragraph headed "The Lease Agreement" in "Letter from the Board" of this circular.

3. These adjustments represented (i) payments following the commencement of the Lease Agreement, including payment of rental deposits and other deposits of approximately HK$986,000 and HK$185,000 respectively; and (ii) reclassification of earnest money paid of approximately HK$979,000 to non-current rental deposits upon commencement of the Proposed Lease.

4. These adjustments represented the estimated transaction costs including advisory, legal, accounting, valuation and other professional fees of approximately HK$1,690,000 payable by the Group in connection with the Proposed Lease.

5. For the purpose of presenting the Unaudited Pro Forma Financial Information of the Group, conversion of RMB into HK$ is based on the approximate exchange rate of HK$1.23 to RMB1.00.

6. No other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group subsequent to 31 December 2021.

The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose in this circular.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Legend Strategy International Holdings Group Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Legend Strategy International Holdings Group Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 31 December 2021 and related notes as set out on pages II-2 to II-3 of the circular issued by the Company dated 25 May 2022 (the "**Circular**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages II-1 of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed lease of premises in the PRC (the "**Proposed Lease**") on the Group's financial position as at 31 December 2021 as if the Proposed Lease had been commenced on 31 December 2021. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's consolidated financial statements for the year ended 31 December 2021, on which an independent auditors' report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services

Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Hong Kong
25 May 2022

The following is the text of a letter, and a valuation certificate prepared for the purpose of incorporation in this circular received from Vincorn Consulting and Appraisal Limited, an independent valuer, in connection with its valuation of the leasehold interest of the property. Terms defined in this appendix applies to this appendix only.

Vincorn Consulting and Appraisal Limited
Units 1602–4, 16/F
FWD Financial Centre
No. 308 Des Voeux Road Central
Hong Kong

25 May 2022

The Board of Directors
Legend Strategy International Holdings Group Company Limited
Suite 1702, 17/F
World-Wide House
No. 19 Des Voeux Road Central
Central
Hong Kong

Dear Sirs,

INSTRUCTION AND VALUATION DATE

We refer to your instructions for us to assess the Market Value of the leasehold interest of the property located in The People's Republic of China ("**The PRC**") for the purpose of public disclosure. The property will be leased by Legend Strategy International Holdings Group Company Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**"). We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary in order to provide you with our opinion of the Market Value of the leasehold interest as at 31 March 2022 (the "**Valuation Date**").

VALUATION STANDARDS

The valuation has been prepared in accordance with the HKIS Valuation Standards 2020 published by The Hong Kong Institute of Surveyors effective from 31 December 2020 with reference to the International Valuation Standards published by the International Valuation Standards Council effective from 31 January 2020; and the requirements set out in the Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited.

VALUATION BASIS

Our valuation has been undertaken on the bases of Market Rent and Market Value. Market Rent is defined as "the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". Market Value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the leasehold interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the leasehold interest.

No allowances have been made for any charges, mortgages or amounts owing on the leasehold interest, nor for any expenses or taxations which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the leasehold interest is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect the value of the leasehold interest.

The relevant rental payments or premium in relation to the leasehold interest have been paid-up in full, and the leasehold interest can be freely assigned without any restrictions or impediments.

VALUATION METHODOLOGY

When valuing the leasehold interest, we have adopted Income Approach – Income Capitalisation Analysis.

Market Approach has been adopted to assess the rental income to be applied in Income Capitalisation Analysis. This involves the analysis of recent market evidence of similar properties to compare with the subject under valuation. Each comparable is analysed on the basis of its unit rent; each attribute of the comparables is then compared with the subject and where there are any differences, the unit rent is adjusted in order to arrive at Market Rent for the subject.

Income Approach is a valuation approach commonly adopted for income producing. The technique used in this valuation by Income Approach is Income Capitalisation Analysis. This technique derives the capital value of an asset by capitalising its income by a capitalisation rate. In this valuation, it involves the capitalisation of the rental incomes over the lease term of a leasehold interest by a relevant capitalisation rate.

This valuation of the leasehold interest in accordance with the HKIS Valuation Standards 2020 with reference to the International Valuation Standards has been prepared on different basis and approach as the recognition of the right-of-use assets pursuant to Hong Kong Financial Reporting Standard 16 issued by Hong Kong Institute of Certified Public Accountants in July 2021.

LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the property. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

We have relied on the advices given by The PRC legal adviser of the Group, AllBright Law Offices, regarding the titles of the property in The PRC. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal adviser.

All legal documents disclosed in this letter and the valuation certificate are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the property set out in this letter and the valuation certificates.

INFORMATION SOURCES

We have relied to a considerable extent on the information provided by the Group and the legal adviser, in respect of the titles of the property in The PRC. We have also accepted advice given to us on matters such as identification of the property, particulars of occupancy, areas and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

INSPECTION AND INVESTIGATIONS

The property was inspected externally and internally. Although not all areas were accessible for viewing at the time of inspection, we have endeavoured to inspect all areas of the property. Investigations were carried out as necessary. Our investigations have been conducted independently and without influence from any third party in any manner.

We have not tested any services of the property and are therefore unable to report on their present conditions. We have not undertaken any structural surveys of the property and are therefore unable to comment on the structural conditions. We have not carried out any investigations on site to determine the suitability of the ground conditions for any future developments. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be required.

We have not carried out any on-site measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the documents or deduced from the plans are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi ("**RMB**").

The valuation certificate is attached hereto.

Yours faithfully,
For and on behalf of
Vincorn Consulting and Appraisal Limited
Vincent Cheung
BSc(Hons) MBA FRICS MHKIS RPS(GP)
MCIREA MHKSI MISCM MHIREA
RICS Registered Valuer
Registered Real Estate Appraiser & Agent PRC
Managing Director

Note: Vincent Cheung is a fellow of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong, a member of China Institute of Real Estate Appraisers and Agents, a member of Hong Kong Securities and Investment Institute, a member of Institute of Shopping Centre Management, a member of Hong Kong Institute of Real Estate Administrators, a Registered Valuer of the Royal Institution of Chartered Surveyors and a Registered Real Estate Appraiser and Agent People's Republic of China. He is suitably qualified to carry out the valuation and has over 24 years of experience in the valuation of properties of this magnitude and nature in the subject region.

VALUATION CERTIFICATE

Property to be leased by the Group in The PRC

Property	Description and Tenure	Occupancy Particulars	Market Rent as at 31 March 2022
Leasehold interest with a lease term of 15 years of a Portion on 1st to 13th Floor of Building No. 5 under Development of Project Exhibition Bay Li An Square, Bao'an Airport New City, Bao'an District, Shenzhen, Guangdong Province, The PRC	The property comprises a portion of a 13-storey hotel on 1st to 13th Floor of Building No. 5 under development, namely Block D1, of Project Exhibition Bay Li An Square, which is expected to be completed in 2022. As per the information provided by the Group, the master lot of the subject site has a site area of approximately 39,488.69 square metres ("**sq.m.**"). As per the information provided by the Group, the property has a lettable area of approximately 9,583.00 sq.m. The land use rights of the master lot of the subject site of the property were granted for a term expiring on 22 November 2056 for commercial uses.	As per our on-site inspection and the information provided by the Group, the property is currently under construction.	RMB776,000 per month inclusive of management fees and taxes with a rental escalation of 6.0% per every three years subject to a term of 15 years **(Market Value* as at 31 March 2022** RMB94,000,000 (Renminbi Ninety Four Million))

* The Market Value is deduced by capitalising the rental income over the lease term of a leasehold interest by a relevant capitalisation rate.

Notes:

1. The property was inspected by Xiaolong Liu *MComm* on 4 March 2022.

2. The valuation and this certificate were prepared by Vincent Cheung *BSc(Hons) MBA FRICS MHKIS RPS(GP) MCIREA MHKSI MISCM MHIREA RICS Registered Valuer Registered Real Estate Appraiser & Agent PRC* and Kit Cheung *BSc(Hons) MRICS MHKIS RPS(GP) MCIREA RICS Registered Valuer Registered Real Estate Appraiser PRC*.

3. Pursuant to a State-owned Land Use Rights Grant Contract, Shen Di He Zi (2016) No. 1027-4 dated 28 April 2019 and entered into between Shenzhen Planning and Natural Resources Bureau Bao'an Management Bureau and Shenzhen Overseas Chinese Town Company Limited, 招商局蛇口工業區控股股份有限公司 and 深圳市招華會展實業有限公司, the land use rights of the master lot of the subject site with a site area of 39,488.69 sq.m. were granted to 招商局蛇口工業區控股股份有限公司 and 深圳市招華會展實業有限公司.

4. Pursuant to a Real Estate Title Certificate, Yue (2019) Shenzhen Bu Dong Chan Quan Di No. 0161631 dated 28 August 2019 and issued by The PRC State-owned Land Resources Bureau, the land use rights of the master lot of the subject site of the property with a site area of 39,488.69 sq.m. were granted to 深圳市招華會展實業有限公司 for a term expiring on 22 November 2056 for commercial uses.

5. Pursuant to a Construction Land Use Planning Permit, Shen Gui Hua Zi Yuan Xu No. BA-2020-0031 dated 27 April 2020 and issued by Shenzhen Planning and Natural Resources Bureau Bao'an Management Bureau, the proposed land use of the property was approved.

6. Pursuant to a Construction Project Planning Permits, Shen Gui Hua Zi Yuan Jian Xu Zi No. BA-2020-0062 (Gai 1) dated 28 September 2021 and issued by Shenzhen Planning and Natural Resources Bureau Bao'an Management Bureau, the proposed development of the property was approved.

7. Pursuant to a Construction Project Work Commencement Permit, 2018-440306-70-03-71917502 dated 14 August 2020 and issued by Shenzhen Housing and Construction Bureau, the construction of the proposed development of the property was approved to commence.

8. The property is subject to a lease agreement to be entered into between 深圳市招華會展實業有限公司 as a landlord and 深圳枋濬酒店管理有限公司 as a tenant after obtaining shareholders' approval at the relevant general meeting. The key terms of the lease agreement are summarized below:

Item		**Details**
Tenure	:	15 years from 1 December 2022 to 30 November 2037
Use	:	Hotel and hotel's ancillary services
Lettable Area	:	9,583.00 sq.m.
Sub-letting	:	Without the written approval of the landlord, the tenant shall not sub-let, lease or terminate the occupation of the leased property in any form.

9. The general description and market information of the property are summarized below:

Location	:	The property is located at Bao'an Airport New City, Bao'an District, Shenzhen, Guangdong Province, The PRC.
Transportation	:	Shenzhen Bao'an International Airport and Shenzhen North Railway Station are located approximately 16.5 kilometres and 46.3 kilometres away from the property respectively.
Nature of Surrounding Area	:	The area is predominately a business area in Bao'an District.

10. We have been provided with a legal opinion regarding the property by AllBright Law Offices, which contains, *inter alia*, the following:

(a) 深圳市招華會展實業有限公司 has obtained the state-owned land use rights of the property in accordance with laws and has the rights to lease out the property, even though the property has yet to be granted with the real estate title certificate; and

(b) The state-owned land use rights of the property are not subject to any mortgage or seizure.

11. In the course of our valuation of the property, we have considered and analysed the rental comparables of commercial buildings in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. By making relevant adjustments, the Market Rent of the property is assessed at RMB776,000 per month inclusive of management fees and taxes with a rental escalation of 6.0% per every three years subject to a term of 15 years commencing from the Valuation Date. The effective rent under the subject lease agreement is considered as in line with the effective Market Rent.

12. By assuming that the relevant rental payments or premium in relation to the leasehold interest have been paid-up in full, and the leasehold interest with a lease term of 15 years can be freely assigned without any restrictions or impediments, the Market Value of the leasehold interest assessed by Income Capitalisation Analysis was circa RMB94,000,000 as at the Valuation Date. We have adopted a capitalisation rate of 5.00% for Income Capitalisation Analysis. According to the International Valuation Standards, the capitalisation rate reflects the rate of return expected by participants for similar investments and the risk inherent in the anticipated benefit stream are considered. Hence, it represents the rate of return of the concerned property interests in the valuation. In deriving the appropriate capitalisation rate, we have referred to the recent and relevant sale transactions of commercial properties in the market.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 circular 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 circular misleading.

2. INTEREST IN SECURITIES

(a) Directors' and chief executive's interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Name of Director	Capacity/ Nature of interest	Number of ordinary shares held as personal interests	Approximate percentage of interests
Yuan Fuer *(Note 1)*	Interest of a controlled corporation	321,580,510	71.72%

Note: These 321,580,510 shares were registered in the name of Hehui International Development Limited. Mr. Yuan Fuer held the entire issued share capital of Hehui International Development Limited and was deemed to be interested in the 321,580,510 shares in which Hehui International Development Limited was interested pursuant to the SFO.

(b) Interests of substantial shareholders

Save as disclosed below, as at the Latest Practicable Date, none of the shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Name of Director	Capacity/ Nature of interest	Number of ordinary shares held as personal interests	Approximate percentage of interests
Hehui International Development Limited *(Note 1)*	Beneficial owner	321,580,510 (Long positions)	71.72%
Yuan Fuer *(Note 1)*	Interest of a controlled corporation	321,580,510 (Long positions)	71.72%
Chen Hui *(Note 2)*	Interest of a controlled corporation	35,740,071 (Long positions)	7.97%

Notes:

1. Mr. Yuan Fuer holds the entire issued share capital of Hehui International Development Limited.

2. As disclosed in Form 1 – Individual Substantial Shareholder Notice filed by Mr. Chen Hui for the sale of the Shares on 20 February 2018, Mr. Chen Hui controls 100% of the interests in 智眾開曼, which in turn controls 100% of the interests in CHINA DRAGON ASIA CHAMPION FUND SERIES SPC, and 智眾開曼 and CHINA DRAGON ASIA CHAMPION FUND SERIES SPC each holds interests in 35,740,071 Shares.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business which competed, or might compete, either directly or indirectly, with the business of the Group pursuant to Rule 8.10 of the Listing Rules.

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS OF THE GROUP

Save as (i) an agreement entered into between 惠州合正東部灣旅遊服務有限公司 (transliterated as Huizhou Hazens East Resort Travel Services Limited for identification purpose), an indirect wholly-owned subsidiary of the Company and 惠東興匯城建有限公司 (transliterated as Huidong Xinghui Construction Limited for identification purpose) which Mr. Yuan Fuer, the non-executive Director, has controlling interests, in relation to a premises for operation of Huizhou Branch from 1 January 2018 to 31 December 2027 (details of which are set out in the announcements of the Company dated 31 January 2019 and 17 March 2020 respectively); and (ii) the consultancy framework agreement entered into between the Company and 合正控股集團(深圳)有限公司 (transliterated as Hazens Holdings Group (Shenzhen) Limited for identification purpose) in respect of provision of accommodation consultancy services by the Group for the year ending 31 December 2022 and any individual agreements for the transactions contemplated thereunder, as at the Latest Practicable Date:

(a) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group; and

(b) none of the Directors had any direct and indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

There had been no contract, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by members of the Group, entered into by members of the Group after the date falling two years prior to 14 April 2022, i.e. the date of the Announcement, and up to the Latest Practicable Date which is or may be material.

8. QUALIFICATIONS AND CONSENTS OF EXPERTS

The followings are the qualification of the experts who have given opinions or advice, which are contained or referred to in this circular:

Name	Qualification
Vincorn Consulting and Appraisal Limited	Independent property valuer and professional surveyor
HLB Hodgson Impey Cheng Limited	Certified Public Accountants

As at the Latest Practicable Date, the above experts:

(a) have given and have not withdrawn their written consent to the issue of this circular with the inclusion of their letters or opinions or advice and references to their names, in the form and context in which they appear;

(b) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(c) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. GENERAL

(a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The headquarters and principal place of business of the Company in Hong Kong is Suite 1702, 17/F., World-Wide House, No. 19 Des Voeux Road Central, Central, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(d) The secretary of the Company is Mr. Chung Tin Yan, who is a member of the Hong Kong Institute of Certified Public Accountants.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

Copies of the following documents are on display and are published on the website of the Stock Exchange at www.hkexnews.com and the website of the Company at www.legend-strategy.com for a period of 14 days from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) the First Letter of Intent;

(c) The Second Letter of Intent;

(d) The Lease Agreement;

(e) the annual report of the Company for the year ended 31 December 2019;

(f) the annual report of the Company for the year ended 31 December 2020;

(g) the annual report of the Company for the year ended 31 December 2021;

(h) the letter from the Board, the text of which is set out on pages 4 to 15 of this circular;

(i) the report in relation to the unaudited pro forma financial information of the Group from HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix II to this circular;

(j) the valuation report prepared by Vincorn Consulting and Appraisal Limited, the text of which is set out in Appendix III to this circular;

(k) the written consent referred to in the paragraph headed "8. Qualifications and consents of Experts" in this appendix; and

(l) this circular.

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: 1355)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Legend Strategy International Holdings Group Company Limited (the "**Company**") will be held at Suite 1702, 17/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong on Friday, 17 June 2022 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed with or without amendment as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**:

    (i) the lease agreement (the "**Lease Agreement**") will be entered into between 深圳枋濬酒店管理有限公司 (transliterated as Shenzhen Legend Strategy Hotel Management Company Limited*), an indirect wholly-owned subsidiary of the Company, and 深圳市招華會展實業有限公司 (transliterated as Shenzhen Zhaohua Exhibition Industry Company Limited*) in relation to the proposed lease of certain portion on the 1st floor to 13th floor of building No. 5 under development of project 會展灣里岸廣場 (transliterated as Exhibition Bay Li An Square*), Bao'an Airport New City, Bao'an District, Shenzhen, Guangdong Province, the PRC (the "**Premises**"), a copy of which having been produced to the EGM marked "A" and signed by the chairman of the EGM for identification purpose, be and is hereby approved, confirmed and ratified and the transactions contemplated thereunder be and are hereby approved; and

(ii) any one or more directors of the Company be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, appropriate, desirable or expedient to carry out and implement the Lease Agreement and all the transactions contemplated thereunder into full effect and to agree to such variation, amendment or waiver as are in the reasonable opinion of the directors of the Company in the interests of the Company and its shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Lease Agreement."

Yours faithfully,
By order of the board of directors of
Legend Strategy International Holdings Group Company Limited
Yuan Fuer
Chairman

Hong Kong, 25 May 2022

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Headquarters and principal place of business in Hong Kong:
Suite 1702, 17/F
World-Wide House
19 Des Voeux Road Central
Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, form(s) of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the office of the Company's share registrar, Union Registrars Limited, at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof.

3. The Register of Members of the Company will be closed from Tuesday, 14 June 2022 to Friday, 17 June 2022, both days inclusive, for the purpose of determining its shareholders' entitlement to attend and vote at the EGM, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's share registrar, Union Registrars Limited, at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, by no later than 4:00 p.m. on Monday, 13 June 2022.

4. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto; but should there be more than one of such joint holders present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

5. All resolution set out in this notice of the EGM will be taken by poll pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the results of the poll will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A member entitled to attend and vote at the EGM is entitled to appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company.

6. A form of proxy in respect of the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish. In the event that you attend the EGM after having lodged the form of proxy, it will be deemed to have been revoked.

7. If Typhoon Signal No. 8 or above remains hoisted at or at any time after 9:00 a.m. on the date of the EGM, the EGM will be postponed or adjourned. The Company will post an announcement on the Company's website at www.legend-strategy.com and the HKExnews website at www.hkexnews.hk to notify shareholders of the date, time and place of the rescheduled meeting.

8. Considering the outbreak of COVID-19, the Company will implement the following preventive and control measures at the meeting venue of the Meeting, including, without limitation, (i) compulsory body temperature checks and health declaration for all attendees; (ii) mandatory wearing of surgical face masks by all attendees prior to admission to the meeting venue and throughout the EGM; (iii) no corporate gifts, refreshments and coffee/tea will be provided/served; (iv) a distance of at least 1.5 meters among all seats at the meeting venue will be set to keep a safe physical distance among the attendees; and (v) attendees who are subject to quarantine prescribed by the HKSAR Government or has close contact with any person under quarantine and/or exhibiting upper respiratory system disease and/or flu-like symptoms may be denied entry into the meeting venue. Should anyone seeking to attend the meeting decline to submit these requirements or any house rules imposed by the Company or be found to be suffering from a body temperature of over 37.5 degrees Celsius or otherwise unwell, the Company reserves the right to refuse such person's admission to the meeting. The Company reminds the attendees that they should carefully consider the risk of attending the EGM taking into account of their own personal circumstances.

   The number of attendees physically attending the meeting inside the meeting venue will be limited to ensure compliance with the HKSAR Government's latest gathering restrictions. Shareholders and/or their proxies will be admitted into the meeting venue on a first come, first served basis. Any other additional precautionary measures in accordance with the prevailing requirements or guidelines of the HKSAR Government and/or regulatory authorities, or as considered appropriate in light of the development of COVID-19 pandemic.

   In view of the ever-evolving COVID-19 pandemic situation in Hong Kong, the Company strongly encourages the shareholders to appoint the chairman of the EGM as his/her proxy to vote on the resolution, instead of attending the EGM in person, for the sake of the Shareholders' and other participants' health and safety.

   Due to the potential unpredictable development of the COVID-19 pandemic, the Company may be required to change the meeting arrangements for the EGM at short notice. Shareholders are advised to check the websites of HKEX (www.hkexnews.hk) and the Company (www.legend-strategy.com) for further announcement(s) and update(s) on such arrangements and/or further precautionary measures to be taken.

9. In the event of any inconsistency, the English language text of this notice shall prevail over the Chinese language text.

The EGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal or a Black Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather condition bearing in mind their own situations.

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

Executive Directors:
Mr. Chen Wu *(Chief Executive Officer)*
Mr. Chung Tin Yan

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

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

* *For identification purposes only*