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**LEGEND STRATEGY INTERNATIONAL HOLDINGS GROUP COMPANY LIMITED**

**枋濬國際集團控股有限公司**

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

**(Stock Code: 1355)**

**MAJOR TRANSACTIONS IN RELATION TO  
(1) FORMATION OF JOINT VENTURE COMPANIES;  
AND  
(2) ENTERING INTO OF THE TENANCY AGREEMENTS**

**FORMATION OF JOINT VENTURE COMPANIES**

The Directors are pleased to announce that on 24 January 2020 (after the trading hours of the Stock Exchange), (i) Shenzhen Subsidiary and Chengdu Partner entered into the Chengdu Agreement pursuant to which Shenzhen Subsidiary and Chengdu Partner will, among others, provide capital in the amount of RMB21.00 million to Chengdu JV according to their proportional interests (i.e. 51% and 49% respectively) in Chengdu JV after establishment (subject to the terms and conditions of the Chengdu Agreement); and (ii) Shenzhen Subsidiary and Wuhan Partner entered into the Wuhan Agreement pursuant to which Shenzhen Subsidiary and Wuhan Partner will, among others, provide capital in the amount of RMB20.90 million to Wuhan JV according to their proportional interests (i.e. 51% and 49% respectively) in Wuhan JV (subject to the terms and conditions of the Wuhan Agreement), for the development of hotel business in Chengdu and Wuhan, the PRC respectively.

**ENTERING INTO OF THE TENANCY AGREEMENTS**

In order to secure places for establishment of the Hotels, after the trading hours of the Stock Exchange on 24 January 2020, Shenzhen Subsidiary and JV Partners also entered into the Tenancy Agreements with the Landlords for two commercial properties located in Chengdu and Wuhan, the PRC, for term of around 12 years and 15 years respectively. The total rentable areas of the Chengdu Property and the Wuhan Property are approximately 7,567 sq.m. and 8,967 sq.m. respectively and the total rental payables under the Chengdu Tenancy Agreement and the Wuhan Tenancy Agreement are approximately RMB90.57 million (exclusive of property management fees) and RMB94.16 million (inclusive of property management fees) for the entire term respectively.

## LISTING RULES IMPLICATIONS

Pursuant to HKFRS 16, the entering into of the Tenancy Agreements as tenant will require the Company to recognise a right-of-use asset. Therefore, the entering into of the Tenancy Agreements will be regarded as acquisition of assets by the Company under the Listing Rules. The value of right-of-use asset to be recognised by the Company would be (i) approximately RMB66.34 million under the Chengdu Tenancy Agreement; and (ii) approximately RMB64.95 million under the Wuhan Tenancy Agreement, respectively.

As the highest applicable percentage ratio in respect of each of the JV Agreements and the Tenancy Agreements is more than 25% but is less than 100%, the entering into of each of the JV Agreements and the Tenancy Agreements constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among others, further details of the JV Agreements, the Tenancy Agreements and the transactions contemplated thereunder and notice of EGM is expected to be despatched to the Shareholders on or before 24 February 2020.

**Completion of the JV Agreements and the Tenancy Agreements is subject to the fulfilment of various condition precedents and therefore the JV Agreements, the Tenancy Agreements together with the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## A. FORMATION OF JOINT VENTURE COMPANIES

The Directors are pleased to announce that on 24 January 2020 (after the trading hours of the Stock Exchange), (i) Shenzhen Subsidiary and Chengdu Partner entered into the Chengdu Agreement pursuant to which Shenzhen Subsidiary and Chengdu Partner will, among others, provide capital in the amount of RMB21.00 million to Chengdu JV according to their proportional interests (i.e. 51% and 49% respectively) in Chengdu JV after establishment (subject to the terms and conditions of the Chengdu Agreement); and (ii) Shenzhen Subsidiary and Wuhan Partner entered into the Wuhan Agreement pursuant to which Shenzhen Subsidiary and Wuhan Partner will, among others, provide capital in the amount of RMB20.90 million to Wuhan JV according to their proportional interests (i.e. 51% and 49% respectively) in Wuhan JV (subject to the terms and conditions of the Wuhan Agreement), for the development of hotel business in Chengdu and Wuhan, the PRC respectively.

The principal terms of each of the JV Agreements are set out below:

**(1) The Chengdu Agreement**

**Date** : 24 January 2020 (after trading hours of the Stock Exchange)

**Parties** : (i) Shenzhen Subsidiary  
(ii) Chengdu Partner

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Chengdu Partner is the Independent Third Party.

**Chengdu JV** : Chengdu JV is a company to be established in the PRC with registered capital of RMB500,000 and will be held as to 51% and 49% by Shenzhen Subsidiary and Chengdu Partner respectively.

Pursuant to the Chengdu Agreement, both parties have agreed the business scope of Chengdu JV such that Chengdu JV will be qualified to apply relevant licences for its hotel business. It is the intention of both parties to establish the Chengdu Hotel only in the Chengdu Property under Chengdu JV.

Chengdu Partner shall facilitate the obtainment of relevant permit, registration and approval necessary for Chengdu JV to be qualified for the operation of Chengdu Hotel by the JV Condition Date. Then a management company, which may be introduced by Chengdu Partner, will be appointed by Chengdu JV for managing the Chengdu Hotel.

Upon the establishment of Chengdu JV, Chengdu JV, Shenzhen Subsidiary and Chengdu Partner shall execute an agreement (details of which are appended to the Chengdu Tenancy Agreement) with Chengdu Landlord pursuant to which all the rights and obligations of Shenzhen Subsidiary and Chengdu Partner, as existing tenants, under the Chengdu Tenancy Agreement shall be transferred to Chengdu JV and the tenancy to be transferred to Chengdu JV will also be subject to all conditions precedent in the Chengdu Tenancy Agreement.

Upon completion of the Chengdu Agreement, Chengdu JV will be a non-wholly owned subsidiary of the Company and owned as to 51% by the Company and 49% by Chengdu Partner.

**Capital commitment to Chengdu JV** : In order to satisfy the capital requirement for establishment and operation of the Chengdu Hotel, both parties have also agreed to provide (i) equity capital of RMB500,000 for the registered capital by 31 December 2030; (ii) two shareholders' loans of RMB17.50 million in total; and (iii) advance for operation of RMB3.00 million to Chengdu JV in the manner set out in table below, according to their proportionate interests in Chengdu JV. Such amount of capital commitment is determined by both parties after arm's length negotiation and taking into account the establishment costs and running costs of the Chengdu Hotel, such as registered capital, lease payments and other operating costs.

**Shareholders'  
loan and  
advance**

(interest free)	Contribution date	Amount
First shareholders' loan	The later of 31 May 2020 or within ten days after the date of the JV Condition Date	Shenzhen Subsidiary: RMB6,000,000 Chengdu Partner: RMB6,500,000
Second shareholders' loan	The later of 31 August 2020 or within ten days after the JV Condition Date	Shenzhen Subsidiary: RMB2,925,000 Chengdu Partner: RMB2,075,000
Advance for operation	Depends on the capital need in early stage of operation	Shenzhen Subsidiary: RMB1,530,000 Chengdu Partner: RMB1,470,000

**Priority distribution amount** : From the date of commencement of business of the Chengdu Hotel to the expiry of the Chengdu Tenancy Agreement (the “**Chengdu Priority Period**”), Shenzhen Subsidiary shall, subject to the laws in the PRC, have priority over Chengdu Partner in respect of distribution from the amount (the “**Chengdu Distributable Amount**”) of profit after tax (after offsetting accumulated losses and contribution to statutory reserve) and adding back non-cash items including depreciation and amortisation charges of Chengdu JV, which on average, is based on around 12% of the proportionate capital commitment (in form of share capital, if paid up, and aforesaid shareholders’ loans) to be provided by Shenzhen Subsidiary (the “**Chengdu Priority Amount**”) for each 12 month period over the Chengdu Priority Period. For illustration purposes, the average Chengdu Priority Amount would be approximately RMB1.10 million per 12 month period (the “**Chengdu Account Period**”) (starting from the date of commencement of business of the Chengdu Hotel) (i.e. RMB18.00 million x 51% x 12%). Chengdu Partner will be entitled to the remaining amount in the Chengdu Distributable Amount after satisfying the Chengdu Priority Amount until the Chengdu Distributable Amount has reached 24% of the total capital commitment (in form of share capital, if paid up, and aforesaid shareholders’ loans) of Chengdu JV.

If the Chengdu Distributable Amount exceeds 24% of the total capital commitment of Chengdu JV, parties shall share the Chengdu Distributable Amount (other than those amounts which will firstly be distributed to Shenzhen Subsidiary and Chengdu Partner under the aforesaid arrangement) according to their respective interests in Chengdu JV. The aforesaid benchmarks of 12% and 24%, and accordingly the actual Chengdu Priority Amount for a particular Chengdu Account Period may vary in different stages of Chengdu Hotel depending on its renovation period, ramp-up period etc.. Both parties shall continue to be entitled to the relevant Chengdu Distributable Amount, if not distributed, pursuant to the Chengdu Agreement and the articles of Chengdu JV. The average Chengdu Priority Amount of 12% is determined by the Company after considering the market return rate of companies engaging in hotel business and expected return from its investment in the Chengdu Hotel.

**Repurchase right** : Shenzhen Subsidiary is given a right to repurchase (the “**Chengdu Repurchase Right**”) the interests in Chengdu JV held by Chengdu Partner if (i) the Chengdu Priority Amount cannot be distributed as agreed; or (ii) Chengdu JV records losses after tax for two consecutive Chengdu Account Periods, during the first three Chengdu Account Periods (the “**Chengdu Repurchase Period**”).

The repurchase price will be based on the investment costs committed by Chengdu Partner in Chengdu JV (i.e. any paid-up capital and shareholder’s loans) less proportionate losses of Chengdu JV, if any, during the Chengdu Repurchase Period.

**Board composition** : The board of directors of Chengdu JV will comprise of five (5) directors. Shenzhen Subsidiary shall have the right to appoint at least three (3) directors and Chengdu Partner shall have right to appoint the remaining directors respectively.

**Others** : In light of the coronavirus spread in Wuhan which may affect the schedule of renovation work and commencement of business, both parties agreed, subject to the status to be announced by the PRC official agents and local government, to negotiate a rent-free period with Chengdu Landlord in future.

**Conditions Precedent** : Completion of the Chengdu Agreement is conditional upon the fulfilment or waiver (as the case may be) of the conditions precedent on or before the JV Condition Date (or other later dates as agreed by both parties in written) as stated in the Chengdu Agreement which include, *inter alia*, the following:

- (i) the planned use of the Chengdu Property is suitable for hotel operation. Except for the mortgages that have been disclosed (if any), the Chengdu Property is not subject to third-party rights restrictions such as leasing, occupancy, seizure, and other mortgages, or any legal defects that will render the Chengdu Property unsuitable for hotel operation and there is no functional defect in the Chengdu Property itself;

- (ii) Chengdu Partner having assisted Chengdu JV to obtain approvals, confirmations or consents from competent local government authorities or other relevant third parties in respect of Chengdu JV and its proposed hotel business; and all such approvals, confirmations or consents will remain in full and effective without any conflicts and will not cause any changes in any terms and conditions of the Chengdu Agreement or render such terms and conditions invalid;
- (iii) Shenzhen Subsidiary is reasonably satisfied with the due diligence results (whether legal, accounting, financial, operation or other aspect which Shenzhen Subsidiary considers material) on Chengdu JV and the Chengdu Property conducted by Shenzhen Subsidiary and its agents and professional advisers;
- (iv) during any time from the date of the Chengdu Agreement to its termination, the warranties provided by Chengdu Partner under the Chengdu Agreement will remain true, accurate and complete without any material misleading, nor has it been violated, and there is no events or circumstances which lead to any material adverse changes;
- (v) the Shareholders having approved the Chengdu Agreement and transactions contemplated thereunder at the EGM pursuant to the articles of association of the Company and the Listing Rules and the transactions under the Chengdu Agreement are approved by the Stock Exchange (if necessary); and
- (vi) there is no adverse changes in laws, regulations, policies or regulatory requirements applicable to Chengdu Partner, Shenzhen Subsidiary and/or Chengdu JV.

The Company is entitled to waive any conditions precedent stated in the Chengdu Agreement except for the condition precedent set out in (v) above. In the event that any conditions precedent in the Chengdu Agreement is not fulfilled (or waived by the Company, if any and where applicable) on or before the JV Condition Date, the Company shall have the right, by notice in writing, to terminate the Chengdu Agreement.



## **(2) The Wuhan Agreement**

**Date** : 24 January 2020 (after trading hours of the Stock Exchange)

**Parties** : (i) Shenzhen Subsidiary  
(ii) Wuhan Partner

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Wuhan Partner is not a connected person of the Company.

**Wuhan JV** : Wuhan JV is a company established in the PRC on 19 January 2020 with registered capital of RMB500,000 and is held as to 51% and 49% by Shenzhen Subsidiary and Wuhan Partner respectively as at the date of this announcement. The business scope of Wuhan JV includes, among others, hotel management, business consulting (excluding investment consulting), brand and corporate image planning, parking lot services, wedding etiquette services, exhibition services and conducting market research.

It is the intention of both parties to establish the Wuhan Hotel only in the Wuhan Property under Wuhan JV.

Wuhan Partner shall facilitate the obtainment of relevant permit, registration and approval necessary for Wuhan JV to be qualified for the operation of Wuhan Hotel by the JV Condition Date. Then a management company, which may be introduced by Wuhan Partner, will be appointed by Wuhan JV for managing the Wuhan Hotel.

Upon completion of the Wuhan Agreement, Wuhan JV will remain a non-wholly owned subsidiary of the Company and owned as to 51% by the Company and 49% by Wuhan Partner.



**Capital commitment to Wuhan JV** : In order to satisfy the capital requirement for establishment and operation of the Wuhan Hotel, both parties have also agreed to provide (i) equity capital of RMB500,000 for the registered capital by 31 December 2030; (ii) two shareholders' loans of RMB17.40 million in total; and (iii) advance for operation of RMB3.00 million to Wuhan JV in the manner set out in table below, according to their proportionate interests in Wuhan JV. Such amount of capital commitment is determined by both parties after arm's length negotiation and taking into account the establishment costs and running costs of the Wuhan Hotel, such as registered capital, lease payments and other operating costs.

**Shareholders'  
loan and  
advance**

(interest free)	Contribution date	Amount
First shareholders' loan	The later of 31 May 2020 or within ten days after the date of the JV Condition Date	Shenzhen Subsidiary: RMB6,000,000 Wuhan Partner: RMB6,500,000
Second shareholders' loan	The later of 31 August 2020 or within ten days after the JV Condition Date	Shenzhen Subsidiary: RMB2,874,000 Wuhan Partner: RMB2,026,000
Advance for operation	Depends on the capital need in early stage of operation	Shenzhen Subsidiary: RMB1,530,000 Wuhan Partner: RMB1,470,000

**Priority distribution amount** : From the date of commencement of business of the Wuhan Hotel to the expiry of the Wuhan Tenancy Agreement (the “**Wuhan Priority Period**”), Shenzhen Subsidiary shall, subject to the laws in the PRC, have priority over Wuhan Partner in respect of distribution from the amount (the “**Wuhan Distributable Amount**”) of profit after tax (after offsetting accumulated losses and contribution to statutory reserve) and adding back non-cash items including depreciation and amortisation charges of Wuhan JV, which on average, is based on around 12% of the proportionate capital commitment (in form of share capital, if paid up, and aforesaid shareholders’ loans) to be provided by Shenzhen Subsidiary (the “**Wuhan Priority Amount**”) for each 12 month period over the Wuhan Priority Period. For illustration purposes, the average Wuhan Priority Amount would be approximately RMB1.10 million per 12 month period (the “**Wuhan Account Period**”) (starting from the date of commencement of business of the Wuhan Hotel) (i.e. RMB17.90 million x 51% x 12%). Wuhan Partner will be entitled to the remaining amount in the Wuhan Distributable Amount after satisfying the Wuhan Priority Amount until the Wuhan Distributable Amount has reached 24% of the total capital commitment (in form of share capital, if paid up, and aforesaid shareholders’ loans) of Wuhan JV.

If the Wuhan Distributable Amount exceeds 24% of the total capital commitment of Wuhan JV, both parties shall share the Wuhan Distributable Amount (other than those amounts which will firstly be distributed to Shenzhen Subsidiary and Wuhan Partner under the aforesaid arrangement) according to their respective interests in Wuhan JV. The aforesaid benchmarks of 12% and 24%, and accordingly the actual Wuhan Priority Amount for a particular Wuhan Account Period may vary in different stages of Wuhan Hotel depending on its renovation period, ramp-up period etc.. Both parties shall continue to be entitled to the relevant Wuhan Distributable Amount, if not distributed, pursuant to the Wuhan Agreement and the articles of Wuhan JV. The average Wuhan Priority Amount of 12% is determined by the Company after considering the market return rate of companies engaging in hotel business and expected return from its investment in the Wuhan Hotel.

**Repurchase right** : Shenzhen Subsidiary is given a right to repurchase (the “**Wuhan Repurchase Right**”) the interests in Wuhan JV held by Wuhan Partner if (i) the Wuhan Priority Amount cannot be distributed as agreed; or (ii) Wuhan JV records losses after tax for two consecutive Wuhan Account Periods, during the first three Wuhan Account Periods (the “**Wuhan Repurchase Period**”).

The repurchase price will be based on the investment costs committed by Wuhan Partner in Wuhan JV (i.e. any paid-up capital and shareholder’s loans) less proportionate losses of Wuhan JV, if any, during the Wuhan Repurchase Period.

**Board composition** : The board of directors of Wuhan JV will comprise of five (5) directors. Shenzhen Subsidiary shall have the right to appoint at least three (3) directors and Wuhan Partner shall have right to appoint the remaining directors respectively.

**Others** : In light of the coronavirus spread in Wuhan which may affect the schedule of renovation work and commencement of business, both parties agreed, subject to the status to be announced by the PRC official agents and local government, to negotiate a rent-free period with Wuhan Landlord in future.

**Conditions Precedent** : Completion of the Wuhan Agreement is conditional upon the fulfilment or waiver (as the case may be) of the conditions precedent on or before the JV Condition Date (or other later dates as agreed by both parties in written) as stated in the Wuhan Agreement which include, *inter alia*, the following:

- (i) the planned use of the Wuhan Property is suitable for hotel operation. Except for the mortgages that have been disclosed (if any), the Wuhan Property is not subject to third-party rights restrictions such as leasing, occupancy, seizure, and other mortgages, or any legal defects that will render the Wuhan Property unsuitable for hotel operation and there is no functional defect in the Wuhan Property itself;

- (ii) Wuhan Partner having assisted Wuhan JV to obtain approvals, confirmations or consents from competent local government authorities or other relevant third parties in respect of Wuhan JV and its proposed hotel business; and all such approvals, confirmations or consents will remain in full and effective without any conflicts and will not cause any changes in any terms and conditions of the Wuhan Agreement or render such terms and conditions invalid;
- (iii) Shenzhen Subsidiary is reasonably satisfied with the due diligence results (whether legal, accounting, financial, operation or other aspect which Shenzhen Subsidiary considers material) on Wuhan JV and the Wuhan Property conducted by Shenzhen Subsidiary and its agents and professional advisers;
- (iv) during any time from the date of the Wuhan Agreement to its termination, the warranties provided by Wuhan Partner under the Wuhan Agreement will remain true, accurate and complete without any material misleading, nor has it been violated, and there is no events or circumstances which lead to any material adverse changes;
- (v) the Shareholders having approved the Wuhan Agreement and transactions contemplated thereunder at the EGM pursuant to the articles of association of the Company and the Listing Rules and the transactions under the Wuhan Agreement are approved by the Stock Exchange (if necessary); and
- (vi) there is no adverse changes in laws, regulations, policies or regulatory requirements applicable to Wuhan Partner, Shenzhen Subsidiary and/or Wuhan JV.

The Company is entitled to waive any conditions precedent stated in the Wuhan Agreement except for the condition precedent set out in (v) above. In the event that any conditions precedent in the Wuhan Agreement is not fulfilled (or waived by the Company, if any and where applicable) on or before the JV Condition Date, the Company shall have the right, by notice in writing, to terminate the Wuhan Agreement.

## **B. ENTERING INTO OF THE TENANCY AGREEMENTS**

In order to secure places for establishment of the Hotels, after the trading hours of the Stock Exchange on 24 January 2020, Shenzhen Subsidiary, Wuhan JV and Chengdu Partner also entered into the Tenancy Agreements with relevant landlords for two commercial properties located in Chengdu and Wuhan, the PRC. The principal terms of each of the Tenancy Agreements are set out below:

### **(1) The Chengdu Tenancy Agreement**

The principal terms of the Chengdu Tenancy Agreement are set out below:

**Date** : 24 January 2020 (after trading hours of the Stock Exchange)

**Parties** : (i) Shenzhen Subsidiary, as tenant;  
(ii) Chengdu Partner, as tenant; and  
(iii) Chengdu Landlord, as landlord

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Chengdu Landlord and its ultimate beneficial owner(s) are Independent Third Parties.

**Chengdu Property** : a portion of 10/F and entire 9/F, 55 Dongyu Street, Jinjiang District, Chengdu, Sichuan Province, the PRC

**Use** : Commercial use

**Total rentable area** : Approximately 7,567 sq.m.

**Term** : From 23 March 2020 to 22 January 2032

**Total consideration payable** : The total rental payable under the Chengdu Tenancy Agreement is approximately RMB90.57 million for the entire term (exclusive of property management fees, air-conditioning, other charges and outgoings).

In light of the coronavirus spread in Wuhan which may affect the schedule of renovation work and commencement of business, parties agreed, subject to the status to be announced by the PRC official agents and local government, to negotiate a rent-free period in future.

The rent under the Chengdu Tenancy Agreement is determined after arm's length negotiations between parties, after taking into consideration the market rent. The consideration will be satisfied by internal resources of and facilities available to the Group.

**Payment term** : The rental shall be payable quarterly in advance before the last business day on the first month of each quarter.

**Deposit** : Shenzhen Subsidiary and Chengdu Partner shall pay RMB400,000 to Chengdu Landlord within 20 business days after the date of the Chengdu Tenancy Agreement and another RMB400,000 upon one year from the effective date of the Chengdu Tenancy Agreement as guarantee of the due performance and observance by Shenzhen Subsidiary and Chengdu Partner of their obligations throughout the term of the tenancy. The deposit is refundable except where Shenzhen Subsidiary and Chengdu Partner cannot perform their obligations under the Chengdu Tenancy Agreement or terminate the Chengdu Tenancy Agreement before its expiry due to its affair, such as failure to obtain the Shareholders' approval at the EGM.

**Conditions precedent** : The Chengdu Tenancy Agreement is conditional upon

- (i) Shenzhen Subsidiary and Chengdu Partner (or its controlling shareholder) being reasonably satisfied with the results of the due diligence exercise on the Chengdu Property (whether legal or other aspects that the Company considers material) conducted by Shenzhen Subsidiary and Chengdu Partner (or its controlling shareholder) or its agents and professional advisers;
- (ii) during any time from the date of the Chengdu Tenancy Agreement to its termination, the warranties provided by Chengdu Landlord under the Chengdu Tenancy Agreement will remain true, accurate and complete without any material misleading, nor has it been violated, and there is no events or circumstances which lead to any material adverse changes;

- (iii) the Shareholders having approved the Chengdu Tenancy Agreement and transactions contemplated thereunder at the EGM pursuant to the articles of association of the Company and the Listing Rules and the transactions under the Chengdu Tenancy Agreement are approved by the Stock Exchange (if necessary);
- (iv) the Shareholders having approved the Chengdu Agreement and transactions contemplated thereunder at the EGM pursuant to the articles of association of the Company and the Listing Rules and the transactions under the Chengdu Agreement are approved by the Stock Exchange (if necessary); and
- (v) Chengdu JV, Shenzhen Subsidiary, Chengdu Partner and Chengdu Landlord having executed an agreement (details of which are appended to the Chengdu Tenancy Agreement) pursuant to which all the rights and obligations of Shenzhen Subsidiary and Chengdu Partner, as existing tenants, under the Chengdu Tenancy Agreement will be transferred to Chengdu JV.

In the event that any conditions precedent in the Chengdu Tenancy Agreement is not fulfilled on or before 31 August 2020 or the any other date agreed by Shenzhen Subsidiary, Chengdu Partner and Chengdu Landlord, Chengdu Landlord shall have the right, by notice in writing, to terminate the Chengdu Tenancy Agreement.

**Others**

- : Upon the establishment of Chengdu JV, all parties to the Chengdu Tenancy Agreement shall execute an agreement (details of which are appended to the Chengdu Tenancy Agreement) with Chengdu JV pursuant to which all the rights and obligations of Shenzhen Subsidiary and Chengdu Partner, as existing tenants, under the Chengdu Tenancy Agreement shall be transferred to Chengdu JV and the tenancy to be transferred to Chengdu JV will also be subject to all conditions precedent in the Chengdu Tenancy Agreement.



During the period from the date of the Chengdu Tenancy Agreement to 31 December 2020, (i) Chengdu Landlord shall allow Shenzhen Subsidiary and Chengdu Partner to carry out renovation, decoration and addition and Shenzhen Subsidiary and Chengdu Partner shall be responsible for making relevant applications to government's approval; (ii) Shenzhen Subsidiary and Chengdu Partner shall be wholly responsible for the results of any renovation and alteration made for inspection by fire department; (iii) Shenzhen Subsidiary and Chengdu Partner shall be responsible for any charges relating to the renovation; and (iv) the time and method of renovation should be governed by Chengdu Landlord and property management company to avoid inconvenience to other tenants in the building.

The value of the right-of-use asset to be recognised by the Company under the Chengdu Tenancy Agreement would be approximately RMB66.34 million which is the present value of aggregated lease payments, plus initial direct costs and estimated reinstatement cost with the lease (if any) in accordance with HKFRS 16. A discount rate of 4.9% is applied to compute the present value of aggregate lease payments less incentives (if any) under the Chengdu Tenancy Agreement.

## **(2) The Wuhan Tenancy Agreement**

The principal terms of the Wuhan Tenancy Agreement are set out below:

**Date** : 24 January 2020 (after trading hours of the Stock Exchange)

**Parties** : (i) Wuhan JV, as tenant; and  
(ii) Wuhan Landlord, as landlord

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Wuhan Landlord and its ultimate beneficial owner(s) are Independent Third Parties.

**Wuhan Property** : Entire 5–8/F and a portion of the commercial podium on 4/F, Building B, Phase 1, Runwin International Hotel, 31 Xin Cheng Yi Road, Dongxihu District, Wuhan, Hubei Province, the PRC

<b>Use</b>	:	Accommodation, catering and commercial use
<b>Total rentable area</b>	:	Approximately 8,967 sq.m.
<b>Term</b>	:	From 23 July 2020 to 22 July 2035
<b>Total consideration payable</b>	:	The total rental payable under the Wuhan Tenancy Agreement is approximately RMB94.16 million for the entire term including property management fees (exclusive of air-conditioning, other charges and outgoings).

In light of the coronavirus spread in Wuhan which may affect the schedule of renovation work and commencement of business, both parties agreed, subject to the status to be announced by the PRC official agents and local government, to negotiate a rent-free period in future.

The rent under the Wuhan Tenancy Agreement is determined after arm's length negotiations between both parties, after taking into consideration the market rent. The consideration will be satisfied by internal resources of and facilities available to the Group.

<b>Payment term</b>	:	The rental shall be payable quarterly in advance before the last business day on the first month of each quarter.
<b>Deposit</b>	:	Wuhan JV shall pay RMB403,528.05 to Wuhan Landlord within 20 business days after the date of the Wuhan Tenancy Agreement and another RMB403,528.05 upon one year from the effective date of the Wuhan Tenancy Agreement as guarantee of the due performance and observance by Wuhan JV of its obligations throughout the term of the tenancy. The deposit is refundable except where Wuhan JV cannot perform its obligations under the Wuhan Tenancy Agreement or terminate the Wuhan Tenancy Agreement before its expiry due to its affair, such as failure to obtain the Shareholders' approval at the EGM.

**Conditions precedent** : The Wuhan Tenancy Agreement is conditional upon

- (i) Wuhan JV (or its controlling shareholder) being reasonably satisfied with the results of the due diligence exercise on the Wuhan Property (whether legal or other aspects that the Company considers material) conducted by Wuhan JV (or its controlling shareholder) or its agents and professional advisers;
- (ii) during any time from the date of the Wuhan Tenancy Agreement to its termination, the warranties provided by Wuhan Landlord under the Wuhan Tenancy Agreement will remain true, accurate and complete without any material misleading, nor has it been violated, and there is no events or circumstances which lead to any material adverse changes;
- (iii) the Shareholders having approved the Wuhan Tenancy Agreement and transactions contemplated thereunder at the EGM pursuant to the articles of association of the Company and the Listing Rules and the transactions under the Wuhan Tenancy Agreement are approved by the Stock Exchange (if necessary); and
- (iv) the Shareholders having approved the Wuhan Agreement and transactions contemplated thereunder at the EGM pursuant to the articles of association of the Company and the Listing Rules and the transactions under the Wuhan Agreement are approved by the Stock Exchange (if necessary).

In the event that any conditions precedent in the Wuhan Tenancy Agreement is not fulfilled on or before 31 August 2020 or the any other date agreed by Wuhan JV and Wuhan Landlord, Wuhan Landlord shall have the right, by notice in writing, to terminate the Wuhan Tenancy Agreement.

**Others** : During the period from the date of the Wuhan Tenancy Agreement to 31 December 2020, (i) Wuhan Landlord shall allow Wuhan JV to carry out renovation, decoration and addition and Wuhan JV shall be responsible for making relevant applications to government's approval; (ii) Wuhan JV shall be wholly responsible for the results of any renovation and alteration made for inspection by fire department; (iii) Wuhan JV shall be responsible for any charges relating to the renovation; and (iv) the time and method of renovation should be governed by Wuhan Landlord and property management company to avoid inconvenience to other tenants in the building.

The value of the right-of-use asset to be recognised by the Company under the Wuhan Tenancy Agreement would be approximately RMB64.95 million which is the present value of aggregated lease payments, plus initial direct costs and estimated reinstatement cost with the lease (if any) in accordance with HKFRS 16. A discount rate of 4.9% is applied to compute the present value of aggregate lease payments less incentives (if any) under the Wuhan Tenancy Agreement.

#### **C. REASONS FOR AND BENEFITS OF ENTERING INTO THE JV AGREEMENTS AND THE TENANCY AGREEMENTS**

The Company is principally engaged in hotel operations and hotel consultations and management services and other related businesses. As at the date of this announcement, the Company has four leased-and-operated hotels under operation in Shenzhen and Huizhou, Guangdong Province, the PRC.

Shenzhen Subsidiary is an indirect wholly-owned subsidiary of the Company and is principally engaged in investment holding as at the date of this announcement.

Wuhan JV is a company newly established in the PRC on 19 January 2020 with registered capital of RMB500,000 which is held as to 51% and 49% respectively by Shenzhen Subsidiary and Wuhan Partner. The existing business scope of Wuhan JV includes, among others, hotel management, business consulting (excluding investment consulting), brand and corporate image planning, parking lot services, wedding etiquette services, exhibition services and conducting market research. As at the date of this announcement, Wuhan JV has not yet commenced any business. Hence, Wuhan JV is an insignificant subsidiary of the Company under Rule 14A.09 of the Listing Rules as at the date of this announcement. In order to continue the development of Wuhan JV, Shenzhen Subsidiary and Wuhan Partner have confirmed their commitment to complete the formation of Wuhan JV and agreed the terms of cooperation by entering into the Wuhan Agreement.

Chengdu Partner is an individual with experience in hotel industry. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Chengdu Partner is an Independent Third Party.

Wuhan Partner is an individual with experience in management of hotel and tourism projects. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Wuhan Partner is not a connected person of the Company by virtue of being a substantial shareholder of an insignificant subsidiary, Wuhan JV, of the Company pursuant to Rule 14A.09 of the Listing Rules.

Chengdu Landlord is a company established in the PRC on 26 September 2001 with registered capital of RMB20 million. The business scope of Chengdu Landlord covers, among others, sales of daily necessities, hardware, household appliances, knitted products, clothing, shoes and leather products, glass products, office supplies, crafts, computers and accessories, communication equipment (excluding radio transmitting equipment), jewelry etc.; wholesale and retail of pre-packaged food and bulk foods, dairy products; retail of books; and retail of cigarettes, cigars. Based on the information on Chengdu Landlord, the substantial shareholders of Chengdu Landlord are 四川建設發展股份有限公司 (transliterated as Sichuan Construction Development Company Limited\*) as to approximately 62% and Jiang Bingjin (江秉金) as to approximately 13%. Sichuan Construction Development Company Limited\* is held by State-owned Assets Supervision and Administration Commission of Deyang City (德陽市國有資產監督管理委員會), public shareholders and other individuals. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Chengdu Landlord, Sichuan Construction Development Company Limited\*, Jiang Bingjin (江秉金) and State-owned Assets Supervision and Administration Commission of Deyang City is an Independent Third Party.

Wuhan Landlord is a company established in the PRC on 5 March 2002 with registered capital of RMB50 million. The business scope of Wuhan Landlord covers hotel management services, management of business operation, property development, sales of properties and sales of decoration materials and construction materials. Based on the information on Wuhan Landlord, as at the date of this announcement, the ultimate beneficial owners of Wuhan Landlord are Chen Xiaoying (陳小英), Chen Xiaoping (陳小平) and Chen Faju (陳發菊). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Wuhan Landlord and its ultimate beneficial owners is an Independent Third Party.

As set out in the interim report of the Company for the six months ended 30 June 2019, the Group would continue to look for investment and enhancement opportunities, and explore the provision of various hotel accommodation and hotel consultations and management services in the PRC, Hong Kong or overseas to optimise the overall hotel assets structure and improve efficiency. In view that all the existing hotels of the Group are situated in Guangdong Province, the PRC, the Directors consider that exploring new geographical market by forming joint ventures with JV Partners would reduce business

risk in reliance on a single province whilst the introduction of JV Partners would facilitate the establishment and operation of the Hotels given their acquaintance with hotel market and hotel management.

The Chengdu Property is situated at Qingyang District, Chengdu, Sichuan Province, the PRC which is within a walkable distance to Tianfu Square (天府廣場), being located in the central district of Chengdu with various attraction tourist spots such as museums, shopping malls etc..

The Wuhan Property is situated at Dongxihu District, Wuhan, Hubei Province, the PRC which is near Wuhan Five Rings Sports Center (武漢五環體育中心) and Jinyinhu Lake Wetland Park (金銀湖國家城市濕地公園). Various attraction tourist spots such as museums, scenic area etc. are also located within reasonable travelling distance.

It is currently expected that the Chengdu Hotel and the Wuhan Hotel will be able to provide around 200 accommodation places in total.

Since the capital commitment to Joint Venture Companies by Shenzhen Subsidiary and JV Partners are proportional to their respective interests in Joint Venture Companies and the capital will be applied to the expansion of the Company's hotel business in Chengdu and Wuhan which is the ordinary business of the Group, the Directors consider that the terms of the JV Agreements are on normal commercial terms and fair and reasonable.

As the Properties are necessary to the business of the Hotels in Chengdu and Wuhan, the PRC, and the rental charge, is determined after arm's length negotiations between the Group and the Landlords, after taking into consideration the market rent, the Directors consider that the terms of the Tenancy Agreements are on normal commercial terms and fair and reasonable.

Taking into account (i) the opportunities for the Group to expand its hotel business to other provinces in the PRC which will enhance the scale and profile of the Group's hotel business; (ii) the location of the Properties; and (iii) the revenue stream of the Group is expected to be broadened by the operation of the Hotels, the Directors (including the independent non-executive Directors) consider that the entering into of the JV Agreements and the Tenancy Agreements and the terms and conditions thereunder are fair and reasonable and on normal commercial terms, in ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

## **D. LISTING RULES IMPLICATIONS**

Pursuant to HKFRS 16, the entering into of the Tenancy Agreements as tenant will require the Company to recognise a right-of-use asset. Therefore, the entering into of the Tenancy Agreements will be regarded as acquisition of assets by the Company under the Listing Rules. The value of right-of-use asset to be recognised by the Company would be (i) approximately RMB66.34 million under the Chengdu Tenancy Agreement; and (ii) approximately RMB64.95 million under the Wuhan Tenancy Agreement respectively.

As the highest applicable percentage ratio in respect of each of the JV Agreements and the Tenancy Agreements is more than 25% but is less than 100%, the entering into of each of the JV Agreements and the Tenancy Agreements constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among others, further details of the JV Agreements, the Tenancy Agreements and the transactions contemplated thereunder and notice of EGM is expected to be despatched to the Shareholders on or before 24 February 2020.

## **E. DEFINITIONS**

Unless the context otherwise requires, the following expressions shall have the following meanings in this announcement:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Chengdu Agreement”	an agreement entered into between Shenzhen Subsidiary and Chengdu Partner on 24 January 2020 for the establishment of joint venture in relation to hotel business in Chengdu, the PRC
“Chengdu Hotel”	a hotel to be established by Chengdu JV at the Chengdu Property
“Chengdu JV”	a company to be established jointly by Shenzhen Subsidiary and Chengdu Partner in the PRC
“Chengdu Landlord”	成都洋洋摩爾百貨有限公司 (transliterated as Chengdu Yangyang Mall Department Store Co., Ltd.*), a company established in the PRC and the landlord of the Chengdu Property



“Chengdu Partner”	Ms. Liao Zihan (廖子涵)
“Chengdu Property”	a property situated at Chengdu, Sichuan Province, the PRC
“Chengdu Tenancy Agreement”	an agreement entered into between Shenzhen Subsidiary, Chengdu Partner and Chengdu Landlord on 24 January 2020 for the lease of the Chengdu Property
“Company”	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, 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
“controlling shareholder(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 JV Agreements, the Tenancy Agreements and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hotels”	the Chengdu Hotel and the Wuhan Hotel
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and connected persons of the Company
“Joint Venture Companies”	Chengdu JV and Wuhan JV
“JV Agreements”	the Chengdu Agreement and the Wuhan Agreement

“JV Condition Date”	30 September 2020, being the date on which the last of the conditions precedents set out in each of the JV Agreements are duly fulfilled, waived and/or performed
“JV Partners”	Chengdu Partner and Wuhan Partner
“Landlords”	Chengdu Landlord and Wuhan Landlord
“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 announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Properties”	the Chengdu Property and the Wuhan Property
“RMB”	Renminbi, the lawful currency of the PRC
“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 Subsidiary”	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
“sq.m.”	square meters
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tenancy Agreements”	the Chengdu Tenancy Agreement and the Wuhan Tenancy Agreement
“Wuhan Agreement”	an agreement entered into between Shenzhen Subsidiary and Wuhan Partner on 24 January 2020 for the establishment of joint venture in relation to hotel business in Wuhan, the PRC
“Wuhan Hotel”	a hotel to be established by Wuhan JV at the Wuhan Property

“Wuhan JV”	武漢枋濬酒店管理有限公司 (transliterated as Wuhan Legend Strategy Hotel Development Co., Ltd.*), a company established jointly by Shenzhen Subsidiary and Wuhan Partner in the PRC
“Wuhan Landlord”	武漢公民酒店發展有限公司 (transliterated as Wuhan Citizen Hotel Development Co., Ltd.*), a company established in the PRC and the landlord of the Wuhan Property
“Wuhan Partner”	Mr. Sun Taishan (孫太山)
“Wuhan Property”	a property situated at Wuhan, Hubei Province, the PRC
“Wuhan Tenancy Agreement”	an agreement entered into between Wuhan JV and Wuhan Landlord on 24 January 2020 for the lease of the Wuhan Property
“%”	per cent.

*For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of HK\$1.13 to RMB1.00.*

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

Hong Kong, 24 January 2020

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

*Executive Director:*

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*