



LEGEND STRATEGY INTERNATIONAL HOLDINGS GROUP COMPANY LIMITED

枋濬國際集團控股有限公司

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

(Stock Code: 8160)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE PERIOD ENDED 30 SEPTEMBER 2011**

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

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

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

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

THIRD QUARTERLY RESULTS

The board of Directors (the “Board”) of Legend Strategy International Holdings Group Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 30 September 2011 together with the comparative unaudited figures for the corresponding periods in 2010 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	(Unaudited) For nine months ended 30 September		(Unaudited) For three months ended 30 September	
		2011 <i>HK\$</i>	2010 <i>HK\$</i>	2011 <i>HK\$</i>	2010 <i>HK\$</i>
Turnover	3	29,983,806	30,195,622	16,448,436	15,856,027
Operating lease expenses		(6,917,788)	(6,356,858)	(2,391,176)	(2,106,461)
Depreciation of property, plant and equipment		(5,126,494)	(4,777,920)	(1,741,003)	(1,593,409)
Employee benefit expenses		(4,750,584)	(2,971,153)	(2,102,455)	(1,048,866)
Utilities		(1,280,219)	(1,075,407)	(600,316)	(467,573)
Other operating expenses	4	(7,561,224)	(3,154,269)	(2,322,118)	(1,202,810)
Operating profit		4,347,497	11,860,015	7,291,368	9,436,908
Finance income		45,193	39,421	15,283	13,176
Finance cost		(111,859)	(101,883)	(37,827)	(33,961)
Finance cost — net		(66,666)	(62,462)	(22,544)	(20,785)
Profit before income tax		4,280,831	11,797,553	7,268,824	9,416,123
Income tax expense	5	(1,471,127)	(3,492,076)	(1,089,867)	(2,787,172)
Profit for the period		<u>2,809,704</u>	<u>8,305,477</u>	<u>6,178,957</u>	<u>6,628,951</u>
Attributable to:					
Equity holders of the Company		2,809,704	7,784,636	6,178,957	6,287,480
Non-controlling interest		—	520,841	—	341,471
		<u>2,809,704</u>	<u>8,305,477</u>	<u>6,178,957</u>	<u>6,628,951</u>
Dividend		<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Basic and diluted earnings per share (HK\$cents)	7	<u>1.56</u>	<u>4.61</u>	<u>3.43</u>	<u>3.68</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)		(Unaudited)	
	For nine months ended		For three months ended	
	30 September		30 September	
	2011	2010	2011	2010
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Profit for the period	2,809,704	8,305,477	6,178,957	6,628,951
Other comprehensive income:				
Currency translation differences	404,346	403,965	214,245	123,069
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	<u>3,214,050</u>	<u>8,709,442</u>	<u>6,393,202</u>	<u>6,752,020</u>
Attributable to:				
Equity holders of the Company	3,214,050	8,234,681	6,393,202	6,410,550
Non-controlling interest	—	474,761	—	341,470
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>3,214,050</u>	<u>8,709,442</u>	<u>6,393,202</u>	<u>6,752,020</u>

NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 23 February 2011 as an exempted company with limited liability under the Companies Law. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

The Company has its primary listing on the GEM of the Stock Exchange.

This condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION

The unaudited quarterly financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The accounting policies used in the preparation of the unaudited consolidated results are consistent with those used in the accountants' report for the year ended 31 December 2010 included in the prospectus of the Company dated 30 June 2011.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1 January 2011, the adoption has no material impact on the reported results and the financial position of the Group for the current or prior accounting periods; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group's results and financial position.

The third quarterly results are unaudited but have been reviewed by the Company's audit committee.

3 TURNOVER AND SEGMENT INFORMATION

The segment information provided to the chief operating decision-maker for the reportable segments for the periods ended 30 September 2010 and 2011 is as follows:

	(Unaudited) Hotel Operations HK\$	(Unaudited) Provision of hotel consultancy services HK\$	(Unaudited) Total HK\$
For nine months ended 30 September 2011			
Segment revenue	<u>20,203,496</u>	<u>9,780,310</u>	<u>29,983,806</u>
Segment results	<u>(3,185,113)</u>	<u>7,532,610</u>	<u>4,347,497</u>
Depreciation of property, plant and equipment	<u>5,126,494</u>	<u>—</u>	<u>5,126,494</u>

	(Unaudited) Hotel Operations HK\$	(Unaudited) Provision of hotel consultancy services HK\$	(Unaudited) Total HK\$
For nine months ended 30 September 2010			
Segment revenue	<u>20,563,136</u>	<u>9,632,486</u>	<u>30,195,622</u>
Segment results	<u>4,099,121</u>	<u>7,760,894</u>	<u>11,860,015</u>
Depreciation of property, plant and equipment	<u>4,626,094</u>	<u>151,826</u>	<u>4,777,920</u>

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

	(Unaudited) For nine months ended 30 September	
	2011 HK\$	2010 HK\$
Segment results	4,347,497	11,860,015
Finance income	45,193	39,421
Finance cost	<u>(111,859)</u>	<u>(101,883)</u>
Profit before income tax	<u>4,280,831</u>	<u>11,797,553</u>

4 OTHER OPERATING EXPENSES

Other operating expenses consisted of the following:

	(Unaudited) For nine months ended 30 September		(Unaudited) For three months ended 30 September	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Auditor's remuneration	375,000	375,000	125,000	125,000
Property management fee	422,561	381,905	143,843	140,322
Consumables and laundries	673,382	598,039	218,515	264,202
Marketing and promotion	190,772	144,287	50,986	48,753
Telephone and communication	145,040	158,269	52,596	55,809
Repairs and maintenance	311,970	181,725	220,301	57,565
Office supplies	91,346	70,849	34,217	24,305
Sales commission	560,668	225,603	215,326	126,736
Listing expenses	2,307,772	—	—	—
Others	<u>2,482,713</u>	<u>1,018,592</u>	<u>1,261,334</u>	<u>360,118</u>
	<u>7,561,224</u>	<u>3,154,269</u>	<u>2,322,118</u>	<u>1,202,810</u>

5 INCOME TAX EXPENSE

	(Unaudited) For nine months ended 30 September		(Unaudited) For three months ended 30 September	
	2011 HK\$	2010 HK\$	2011 HK\$	2010 HK\$
Current income tax				
Hong Kong profits tax	923,035	806,357	923,035	824,834
PRC corporate income tax	548,092	2,685,719	166,832	1,962,338
Income tax expense	<u>1,471,127</u>	<u>3,492,076</u>	<u>1,089,867</u>	<u>2,787,172</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the periods.

The PRC corporate income tax is provided at the rate of 25% for the periods.

No provision for deferred taxation has been made in the financial statements since there is no material timing difference.

6 DIVIDEND

The Directors do not recommend payment of any dividend for the nine months ended 30 September 2011 (2010: nil).

7 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the three months ended 30 September 2011 is based on the unaudited consolidated profit attributable to equity holders of the Company of HK\$6,178,957 (2010: HK\$6,287,480) and the weighted average of 180,000,001 ordinary shares (2010: 180,000,001 ordinary shares) in issue during the three months ended 30 September 2011.

The calculation of basic earnings per share for the nine months ended 30 September 2011 is based on the unaudited consolidated profit attributable to equity holders of the Company of HK\$2,809,704 (2010: HK\$7,784,636) and the weighted average of 180,000,001 ordinary shares (2010: 180,000,001 ordinary shares) in issue during the nine months ended 30 September 2011.

The number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the capitalisation issue on 23 February 2011, 24 March 2011, 27 April 2011, 19 June 2011 and 15 July 2011 as if the shares had been in issue throughout the periods.

Diluted earnings per share for the periods are the same as the basic earnings per share as there were no dilutive potential shares for the periods.

8 SHARE CAPITAL AND RESERVES

	Issued equity <i>HK\$</i>	Share Premium <i>HK\$</i>	Exchange Reserve <i>HK\$</i>	Statutory Reserve <i>HK\$</i>	Other Reserves <i>HK\$</i>	Shareholder's Contribution <i>HK\$</i>	Accumulated Losses <i>HK\$</i>	Total <i>HK\$</i>	Non- controlling interest <i>HK\$</i>	Total <i>HK\$</i>
Balance at 1 January 2010	10,000	—	632,812	—	—	—	(15,200,541)	(14,557,729)	2,393,525	(12,164,204)
Profit for the period	—	—	—	—	—	—	7,784,636	7,784,636	520,841	8,305,477
Other comprehensive income:										
Currency translation differences	—	—	450,045	—	—	—	—	450,045	(46,080)	403,965
Total comprehensive income for the period	—	—	450,045	—	—	—	7,784,636	8,234,681	474,761	8,709,442
Balance at 30 September 2010	10,000	—	1,082,857	—	—	—	(7,415,905)	(6,323,048)	2,868,286	(3,454,762)
Balance at 1 January 2011	10,000	—	1,127,980	182,452	(588,549)	20,751,024	(6,197,791)	15,285,116	—	15,285,116
Profit for the period	—	—	—	—	—	—	2,809,704	2,809,704	—	2,809,704
Other comprehensive income:										
Currency translation differences	—	—	404,346	—	—	—	—	404,346	—	404,346
Total comprehensive income for the period	—	—	404,346	—	—	—	2,809,704	3,214,050	—	3,214,050
Share swap pursuant to group reorganization	—	—	—	—	8,608,659	—	—	8,608,659	—	8,608,659
Elimination of share capital of combined subsidiaries upon group reorganisation	(10,000)	—	—	—	—	—	—	(10,000)	—	(10,000)
Issuance of shares	1,800,001	52,192,180	—	—	—	—	—	53,992,181	—	53,992,181
Share issuing expenses	—	(14,161,936)	—	—	—	—	—	(14,161,936)	—	(14,161,936)
Balance at 30 September 2011	1,800,001	38,030,244	1,532,326	182,452	8,020,110	20,751,024	(3,388,087)	66,928,070	—	66,928,070

9 OPERATING LEASE COMMITMENTS

The Group leases various hotel premises under non-cancellable operating lease agreements. The leases have escalation clauses and renewal rights.

The future aggregate minimum lease payments are as follows:

	(Unaudited) At 30 September 2011 <i>HK\$</i>	(Audited) At 31 December 2010 <i>HK\$</i>
No later than 1 year	7,336,077	8,595,814
Later than 1 year and no later than 5 years	22,863,369	30,484,373
Over 5 years	3,004,634	5,569,014
	33,204,080	44,649,201

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in operating budget hip hotels and providing hotel consultancy in the PRC. For the nine months ended 30 September 2011, the Group recorded a turnover of HK\$29,983,806, compared with HK\$30,195,622 of the corresponding period in the last financial year. The Group incurred a net profit of HK\$2,809,704 during the nine months ended 30 September 2011, as compared to HK\$8,305,477 for the same period of last financial year. The decrease of profit compared with last financial year were mainly due to the increase of operating cost in hotel operation and the non-recurring expenses in relation to the listing on the GEM of the Stock Exchange.

Hotel operation

During the three months ended 30 September 2011, the post-World Universiade effect brought challenges to the hotel market in Shenzhen City. In particular, the competition within the budget hotel market intensified. The Group responded actively by leveraging on its comprehensive and diversified asset portfolio, quality operation, management services, as well as measures such as market analysis, budget monitoring and effective cost control. Revenue from hotel operation reached HK\$20,203,496 during the nine months ended 30 September 2011, representing a slight decrease of 1.7% as compared with the same period of last year. The Group incurred an operating loss of HK\$3,185,113 in hotel operation during the nine months ended 30 September 2011 in contrast to operating profit of HK\$4,099,121 for the same period of last financial year. The operating loss was mainly due to non-recurring expenses in relation to the listing on the GEM of the Stock Exchange and increase of employee benefit expenses.

The following table shows the key information of each of the Group's leased-and-operated hotels for the nine months ended 30 September 2010 and 2011:

	For nine months ended 30 September	
	2011	2010
Caitian Hotel		
Total available room nights	23,277	23,473
Occupancy	79.66%	96.24%
ARR (RMB) *	194.15	188.64
RevPAR (RMB) ^Δ	154.66	181.56
Nanshan Hotel		
Total available room nights	51,071	50,167
Occupancy	75.47%	87.02%
ARR (RMB) *	188.39	194.70
RevPAR (RMB) ^Δ	142.18	169.44
Baoan Hotel		
Total available room nights	16,031	15,820
Occupancy	82.20%	92.82%
ARR (RMB) *	129.06	123.19
RevPAR (RMB) ^Δ	106.08	114.34

	For nine months ended 30 September 2011		2010
Luohu Hotel			
Total available room nights	21,790		21,459
Occupancy	90.64%		94.53%
ARR (RMB) *	186.12		174.15
RevPAR (RMB) ^Δ	168.71		164.62
Total			
Total available room nights	112,169		110,919
Occupancy	79.67%		91.21%
ARR (RMB) *	181.75		178.96
RevPAR (RMB) ^Δ	144.81		163.24

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

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

Hotel consultancy

During the nine months ended 30 September 2011, the Group has recognized revenue of HK\$9,780,310 from the provision of hotel consultancy services compared to HK\$9,632,486 during the same period of last financial year. The operating profit reached HK\$7,532,610 during the nine months ended 30 September 2011, as compared to operating profit of HK\$7,760,894 for the same period of last financial year, representing a slight decrease of 2.9%.

The Group's financial position remained positive, and did not have any bank borrowings as at 30 September 2011. Operation was primarily financed by internally generated cashflows.

Outlook

Notwithstanding observers generally expected that the economy of the USA may step into the stage of recession and that of Europe will continue to be weak in the near term, the Group remains cautiously optimistic about the prospects of its business by focusing continuously on the strong PRC market.

In the future, the Group shall continue to lay resources to strengthen its brand name "Welcome Inn" and position in the market and to explore further quality investment opportunities to enhance shareholders' wealth.

CORPORATE GOVERNANCE

The Group had complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the nine months ended 30 September 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group had adopted Rules 5.48 to Rules 5.67 of the GEM Listing Rules (“Model Code”) as its own code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings. Having made specific enquiry to all the Directors, all the Directors confirmed that they had throughout the nine months ended 30 September 2011 complied with the required standard of dealings as set out in the Model Code.

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

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the nine months ended 30 September 2011.

Neither the Company nor any of its subsidiaries had issued or granted any convertible securities, options, warrants or similar rights or exercise any conversion or subscription rights under any convertible securities, options, warrants or similar rights during the nine months ended 30 September 2011.

AUDIT COMMITTEE REVIEW

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

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the unaudited third quarterly financial results for the nine months ended 30 September 2011.

COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group’s business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group’s business at any time during the nine months ended 30 September 2011 and up to and including the date of this announcement.

COMPLIANCE ADVISER

As updated and notified by the Company’s compliance adviser, Quam Capital Limited (“Quam Capital”), none of Quam Capital, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company as at 30 September 2011 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to the agreement dated 15 July 2011 entered into between Quam Capital and the Company, Quam Capital received and will receive fees for acting as the compliance adviser of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2011, the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have 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 are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to notify the Company and the Stock Exchange pursuant to Rules 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, will be as follows:

Long positions in shares of the Company

Name	Capacity	Number of shares	Percentage of shareholding
Mr. Fong, Man Kelvin (Note 1)	Beneficial Owner	99,759,466	55.4%
Mr. De Weyer, Daniel Ludovicus Joannes (Note 2)	Beneficial Owner	10,523,655	5.8%

Notes:

1. Ms. Wong Pit Lai, Vera is the spouse of Mr. Fong. Therefore, Ms. Wong Pit Lai Vera is deemed to be interested in the 99,759,466 shares in which Mr. Fong is interested for the purpose of the SFO.
2. Ms. Makoto Nishimura is the spouse of Mr. De Weyer, Daniel Ludovicus Joannes. Therefore, Ms. Makoto Nishimura is deemed to be interested in the 10,523,655 shares in which Mr. De Weyer, Daniel Ludovicus Joannes is interested for the purpose of the SFO.

Saved as disclosed above, as at 30 September 2011, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

So far as the Directors are aware, as at 30 September 2011, other than the Directors or chief executive of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares or debentures" above, the following person will have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and who are expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

Long positions in shares of the Company

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Qiu Dai Lun (<i>Note 1</i>)	Beneficial Owner	10,800,000	6.0%

Note:

1. Ms. Cheng Xiaomin is the spouse of Mr. Qiu Dai Lun. Therefore, Ms. Cheng Xiaomin is deemed to be interested in the 10,800,000 shares in which Mr. Qiu Dai Lun is interested for the purpose of the SFO.

Saved as disclosed above, as at 30 September 2011, the Directors were not aware of any other person (other than the Directors or chief executive as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares or debentures" above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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

Hong Kong, 7 November 2011

As at the date of this announcement, the executive Directors are Mr. Fong, Man Kelvin and Mr. Wong, William, the non-executive Director is Mr. De Weyer, Daniel Ludovicus Joannes, and the independent non-executive Directors are Dr. Wong, Hak Kun Jerry, Mr. Tam, Kwok Ming Banny and Mr. Tsoi, Wing Sum.

This announcement will remain on the "Latest Company Announcements" page of the GEM Website at www.hkgem.com for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at www.legendstrategy.com.