



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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2012**

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

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

FIRST QUARTERLY RESULTS

The board of Directors (the “Board”) 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 ended 31 March 2012 together with the comparative unaudited figures for the corresponding periods in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		(Unaudited)	
		For three months ended	
		31 March	
	<i>Notes</i>	2012	2011
		HK\$	HK\$
Revenue	3	11,873,809	6,730,077
Operating lease expenses		(2,589,291)	(2,162,587)
Depreciation and amortisation		(2,196,527)	(1,683,224)
Employee benefit expenses		(2,427,004)	(1,111,067)
Utilities		(350,164)	(305,496)
Other operating expenses	4	(2,986,160)	(1,397,744)
Operating profit		1,324,663	69,959
Finance income		15,833	14,880
Finance cost		(46,790)	(36,829)
Finance cost — net		(30,957)	(21,949)
Profit before income tax		1,293,706	48,010
Income tax expense	5	(1,044,183)	(192,406)
Profit/(loss) for the period		249,523	(144,396)
Attributable to:			
Equity holders of the company		249,523	(144,396)
Dividend	6	—	—
Basic and diluted earnings/(loss) per share (HK\$cents)	7	0.14	(0.08)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)	
	For three months ended	
	31 March	
	2012	2011
	HK\$	HK\$
Profit/(loss) for the period	249,523	(144,396)
Other comprehensive income:		
Currency translation differences	138,276	113,244
	<hr/>	<hr/>
Total comprehensive income/(loss) for the period	387,799	(31,152)
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Equity holders of the company	387,799	(31,152)
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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 accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards issued by 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 audited financial statements and notes thereto for the year ended 31 December 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 2012, 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 first quarterly results are unaudited but have been reviewed by the Company's audit committee.

3 SEGMENT INFORMATION

The segment information provided to the chief operating decision-maker (the “CODM”) for the reportable segments for the three months ended 31 March 2011 and 2012 is as follows:

	(Unaudited) Hotel operations <i>HK\$</i>	(Unaudited) Provision of hotel consultancy services <i>HK\$</i>	(Unaudited) Total <i>HK\$</i>
For three months ended 31 March 2012			
Segment revenue	<u>6,421,723</u>	<u>5,452,086</u>	<u>11,873,809</u>
Segment results	<u>(1,779,539)</u>	<u>3,104,202</u>	<u>1,324,663</u>
Depreciation and amortisation	<u>(2,051,746)</u>	<u>(144,781)</u>	<u>(2,196,527)</u>
		(Unaudited) Provision of hotel consultancy services <i>HK\$</i>	(Unaudited) Total <i>HK\$</i>
For three months ended 31 March 2011			
Segment revenue	<u>6,730,077</u>	<u>—</u>	<u>6,730,077</u>
Segment results	<u>69,959</u>	<u>—</u>	<u>69,959</u>
Depreciation and amortisation	<u>(1,683,224)</u>	<u>—</u>	<u>(1,683,224)</u>

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

	(Unaudited) For three months ended 31 March	
	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Segment results	1,324,663	69,959
Finance income	15,833	14,880
Finance cost	<u>(46,790)</u>	<u>(36,829)</u>
Profit before income tax	<u>1,293,706</u>	<u>48,010</u>

4 OTHER OPERATING EXPENSES

	(Unaudited)	
	For three months ended	
	31 March	
	2012	2011
	HK\$	HK\$
Auditor's remuneration	250,000	125,000
Property management fee	170,802	126,712
Consumables and laundries	274,961	256,473
Legal and professional fee	238,936	10,000
Marketing and promotion	879,560	44,171
Telephone and communication	70,288	40,735
Repairs and maintenance	74,389	30,779
Office supplies	66,529	27,855
Sales commission	125,662	135,173
Share-based payments expenses	224,000	—
Others	611,033	600,846
	<u>2,986,160</u>	<u>1,397,744</u>

5 INCOME TAX EXPENSE

	(Unaudited)	
	For three months ended	
	31 March	
	2012	2011
	HK\$	HK\$
Current income tax		
Hong Kong profits tax	1,033,087	—
PRC corporate income tax	11,096	192,406
Income tax expense	<u>1,044,183</u>	<u>192,406</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 dividend for the three months ended 31 March 2012 (2011: nil).

7 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the three months ended 31 March 2012 is based on the profit/(loss) attributable to equity holders of the Company of HK\$249,523 (2011: HK\$(144,396)) and the weighted average of 180,000,001 ordinary shares (2011: 180,000,001 ordinary shares) in issue during the three months ended 31 March 2012.

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 and 19 June 2011 as if the shares had been in issue throughout the three months ended 31 March 2011.

In respect of the diluted earnings per share amounts presented, no adjustment has been made to the basic earnings per share amounts presented for the three months ended 31 March 2012 as the impact of the share options during the period had an anti-dilutive effect on the basic earnings per share amounts presented.

Diluted loss per share for the three months ended 31 March 2011 is the same as the basic loss per share as there was no dilutive potential shares for the period.

8 SHARE CAPITAL AND RESERVES

	Issued equity HK\$	Share premium HK\$	Exchange reserve HK\$	Share options reserve HK\$	Statutory reserve HK\$	Other reserve HK\$	Shareholder's contributions HK\$	Retained earnings/ (accumulated losses) HK\$	Total HK\$
Balance at 1 January 2012 (audited)	1,800,001	38,030,244	1,690,691	—	500,000	8,020,110	20,751,024	14,749,344	85,541,414
Profit for the period	—	—	—	—	—	—	—	249,523	249,523
Other comprehensive income:	—	—	—	—	—	—	—	—	—
Currency translation differences	—	—	138,276	—	—	—	—	—	138,276
Total comprehensive income for the period	—	—	138,276	—	—	—	—	249,523	387,799
Employee share option benefits	—	—	—	224,000	—	—	—	—	224,000
Balance at 31 March 2012 (unaudited)	<u>1,800,001</u>	<u>38,030,244</u>	<u>1,828,967</u>	<u>224,000</u>	<u>500,000</u>	<u>8,020,110</u>	<u>20,751,024</u>	<u>14,998,867</u>	<u>86,153,213</u>
Balance at 1 January 2011 (audited)	—	—	1,127,980	—	182,452	(578,549)	20,751,024	(6,197,791)	15,285,116
Loss for the period	—	—	—	—	—	—	—	(144,396)	(144,396)
Other comprehensive income:	—	—	—	—	—	—	—	—	—
Currency translation differences	—	—	113,244	—	—	—	—	—	113,244
Total comprehensive income for the period	—	—	113,244	—	—	—	—	(144,396)	(31,152)
Balance at 31 March 2011 (unaudited)	<u>—</u>	<u>—</u>	<u>1,241,224</u>	<u>—</u>	<u>182,452</u>	<u>(578,549)</u>	<u>20,751,024</u>	<u>(6,342,187)</u>	<u>15,253,964</u>

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 31 March 2012 HK\$	(Audited) At 31 December 2011 HK\$
No later than 1 year	11,649,796	11,613,064
Later than 1 year and no later than 5 years	27,895,423	30,369,053
Over 5 years	140,230	586,799
	<u>39,685,449</u>	<u>42,568,916</u>

10 CAPITAL COMMITMENT

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

	(Unaudited) At 31 March 2012 HK\$	(Audited) At 31 December 2011 HK\$
Contracted but not provided for:		
Property, plant and equipment	14,098,223	—
Capital injection to jointly controlled entities	3,852,618	3,852,618
	<u>17,950,841</u>	<u>3,852,618</u>

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

	(Unaudited) At 31 March 2012 HK\$	(Audited) At 31 December 2011 HK\$
Contracted but not provided for:		
Property, plant and equipment	<u>7,380,528</u>	<u>7,338,552</u>

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 three months ended 31 March 2012, the Group recorded a turnover of HK\$11,873,809, compared with HK\$6,730,077 of the corresponding period in the last financial year. The Group incurred a net profit of HK\$249,523 during the three months ended 31 March 2012, as compared to net loss of HK\$144,396 for the same period of last financial year. The increase of revenue and profit compared with last financial year was mainly due to the increase of consultancy fee income in provision of hotel consultancy services.

HOTEL OPERATION

Revenue from hotel operation reached HK\$6,421,723 during the three months ended 31 March 2012, representing a slight decrease of 4.58% as compared with the same period of last year. The Group incurred an operating loss of HK\$1,779,539 in hotel operation during the three months ended 31 March 2012 in contrast to operating profit of HK\$69,959 for the same period of last financial year. The operating loss was mainly due to increase in rental expenses 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 three months ended 31 March 2011 and 2012:

	For three months ended 31 March	
	2012	2011
Total available room nights	36,706	36,952
Occupancy	69.58%	76.44%
ARR (RMB)*	182.98	177.61
RevPAR (RMB) ^Δ	127.32	135.77

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

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

HOTEL CONSULTANCY

During the three months ended 31 March 2012, the Group has recognized revenue of HK\$5,452,086 from the provision of hotel consultancy services. The operating profit reached HK\$3,104,202 during the three months ended 31 March 2012.

The Group's financial position remained positive. Operation was primarily financed by internally generated cashflows.

OUTLOOK

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

CORPORATE GOVERNANCE

The Group had complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the three months ended 31 March 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group had adopted Rules 5.48 to Rules 5.67 Rules of the GEM Listing Rules ("Model Code") as its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings. Subsequent to 31 March 2012, there was a sale of shares of the Company (the "Shares") by Mr. De Weyer, Daniel Ludovicus Joannes ("Mr. De Weyer"), who is one of the non-executive directors of the Company, on 11 April 2012 which constituted dealing in shares within the "black-out period" by a director of the Company contrary to Rule 5.56 of the GEM Listing Rules. The Company has an established system whereby the directors of the Company are required to first notify the chairman of the Board in writing and receive a dated written acknowledgement from the Chairman, before dealing in the Shares. The Company also maintains a written record of the notifications and acknowledgements in accordance with the GEM Listing Rules. However, the sales of Shares by Mr. De Weyer had not been first notified in writing to the Chairman and no written acknowledgement had been issued by the Chairman to Mr. De Weyer. Mr. De Weyer has stated that the sale of Shares on 11 April 2012 was a complete administrative over-sight on his part and that he notified the Company upon realizing the mistake.

Having made specific enquiry with all the directors, the directors of the Company had complied with the required standard of dealings and the code of conduct for directors' securities transactions during the three months ended 31 March 2012.

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 three months ended 31 March 2012.

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 three months ended 31 March 2012.

AUDIT COMMITTEE REVIEW

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

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the unaudited first quarterly financial results for the three months ended 31 March 2012.

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 three months ended 31 March 2012 and up to and including the date of this announcement.

SHARE OPTION SCHEME

The Company has a share option scheme ("Scheme") which was adopted pursuant to a resolution of the sole shareholder passed on 22 June 2011 and adopted by a resolution of the Board on 22 June 2011. The purpose of the Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the Group. The Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

The Scheme became effective on 22 June 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption of the Scheme, the principal terms of which were summarized in the paragraph headed "Share Option Scheme" in Appendix V to the Company's prospectus dated 30 June 2011.

Category	Date of grant	Exercisable period	Exercise price per share HK\$	As at 31 December 2011	Number of share options				As at 31 March 2012
					Options granted during the period	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	
Employees	21 February 2012	21 February 2012 to 20 February 2014	1.33	—	900,000	—	—	—	900,000
				—	900,000	—	—	—	900,000

COMPLIANCE ADVISER

As updated and notified by the Company's compliance adviser, Quam Capital Limited (and its directors, employees and associates) had no interest in the share capital of the Company as at 31 March 2012 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to the agreement dated 27 June 2011 entered into between Quam Capital Limited and the Company, Quam Capital Limited 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 31 March 2012, 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 31 March 2012, 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 31 March 2012, 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 31 March 2012, 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, 9 May 2012

As at the date of this announcement, the executive Director is Mr. Fong, Man Kelvin, the non-executive Directors are Mr. De Weyer, Daniel Ludovicus Joannes and Mr. Wong, William 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.