



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 NINE MONTHS ENDED 30 SEPTEMBER 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.

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 (the “Group”) for the three months and nine months ended 30 September 2012 together with the comparative unaudited figures for the corresponding periods in 2011 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	(Unaudited) For nine months ended 30 September		(Unaudited) For three months ended 30 September	
		2012 <i>HK\$</i>	2011 <i>HK\$</i>	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Revenue	3	61,834,907	29,983,806	29,506,493	16,448,436
Operating lease expenses		(7,746,829)	(6,917,788)	(2,572,267)	(2,391,176)
Depreciation of property, plant and equipment		(6,613,135)	(5,126,494)	(2,177,960)	(1,741,003)
Employee benefit expenses		(6,879,984)	(4,750,584)	(2,401,404)	(2,102,455)
Utilities		(1,334,555)	(1,280,219)	(619,293)	(600,316)
Other operating expenses	4	(8,396,226)	(7,561,224)	(2,919,306)	(2,322,118)
Operating profit		30,864,178	4,347,497	18,816,263	7,291,368
Finance income		46,690	45,193	15,407	15,283
Finance cost		(135,816)	(111,859)	(38,004)	(37,827)
Finance cost — net		(89,126)	(66,666)	(22,597)	(22,544)
Profit before income tax		30,775,052	4,280,831	18,793,666	7,268,824
Income tax expenses	5	(7,721,395)	(1,471,127)	(4,091,165)	(1,089,867)
Profit for the period		23,053,657	2,809,704	14,702,501	6,178,957
Attributable to:					
Owners of the Company		23,053,657	2,809,704	14,702,501	6,178,957
Dividend	6	—	—	—	—
Basic and diluted earnings per share (HK\$cents)	7	12.81	1.56	8.17	3.43

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)		(Unaudited)	
	For nine months ended		For three months ended	
	30 September		30 September	
	2012	2011	2012	2011
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Profit for the period	23,053,657	2,809,704	14,702,501	6,178,957
Other comprehensive income:				
Currency translation differences	76,138	404,346	(53,278)	214,245
Fair value changes on available-for-sale securities	152,000	—	224,500	—
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	<u>23,281,795</u>	<u>3,214,050</u>	<u>14,873,723</u>	<u>6,393,202</u>
Attributable to:				
Owners of the Company	<u>23,281,795</u>	<u>3,214,050</u>	<u>14,873,723</u>	<u>6,393,202</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, provision of hotel consultancy services and hotel management 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 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 third 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 for the reportable segments for the nine months ended 30 September 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 nine months ended 30 September 2012			
Segment revenue	<u>22,772,397</u>	<u>39,062,510</u>	<u>61,834,907</u>
Segment results	<u>4,355,285</u>	<u>26,508,893</u>	<u>30,864,178</u>
Depreciation of property, plant and equipment	<u>(6,172,057)</u>	<u>(441,078)</u>	<u>(6,613,135)</u>
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>

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

	(Unaudited) For nine months ended 30 September	
	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Segment results	<u>30,864,178</u>	4,347,497
Finance income	<u>46,690</u>	45,193
Finance cost	<u>(135,816)</u>	(111,859)
Profit before income tax	<u>30,775,052</u>	<u>4,280,831</u>

4. OTHER OPERATING EXPENSES

	(Unaudited)		(Unaudited)	
	For nine months ended		For three months ended	
	30 September		30 September	
	2012	2011	2012	2011
	HK\$	HK\$	HK\$	HK\$
Auditor's remuneration	1,130,000	375,000	400,000	125,000
Property management fee	483,618	422,561	161,042	143,843
Consumables and laundries	481,866	673,382	79,274	218,515
Legal and professional fee	556,113	190,772	143,985	50,986
Marketing and promotion	2,417,157	—	722,371	—
Telephone and communication	229,850	145,040	84,860	52,596
Repairs and maintenance	189,629	311,970	83,149	220,301
Office supplies	163,869	91,346	50,473	34,217
Sales commission	387,585	560,668	140,490	215,326
Listing expenses	—	2,307,772	—	—
Share-based payments expenses	224,000	—	—	—
Others	2,132,539	2,482,713	1,053,662	1,261,334
	<u>8,396,226</u>	<u>7,561,224</u>	<u>2,919,306</u>	<u>2,322,118</u>

5. INCOME TAX EXPENSE

	(Unaudited)		(Unaudited)	
	For nine months ended		For three months ended	
	30 September		30 September	
	2012	2011	2012	2011
	HK\$	HK\$	HK\$	HK\$
Current income tax				
Hong Kong profits tax	6,167,459	923,035	2,612,467	923,035
PRC corporate income tax	1,553,936	548,092	1,478,698	166,832
Income tax expenses	<u>7,721,395</u>	<u>1,471,127</u>	<u>4,091,165</u>	<u>1,089,867</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 2012 (2011: nil).

7. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 30 September 2012 is based on the unaudited consolidated profit attributable to equity holders of the Company of HK\$14,702,501 (2011: HK\$6,178,957) and the weighted average of 180,000,001 ordinary shares (2011: 180,000,001 ordinary shares) in issue during the three months ended 30 September 2012.

The calculation of basic earnings per share for the nine months ended 30 September 2012 is based on the unaudited consolidated profit attributable to equity holders of the Company of HK\$23,053,657 (2011: HK\$2,809,704) and the weighted average of 180,000,001 ordinary shares (2011: 180,000,001 ordinary shares) in issue during the nine months ended 30 September 2012.

The number of ordinary shares for the purpose of calculating basic earnings per share for the three months and nine months ended 30 September 2011 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.

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 and nine months ended 30 September 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 earnings per share for the three months and nine months ended 30 September 2011 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 HK\$	Share premium HK\$	Exchange reserve HK\$	Share options reserve HK\$	Statutory reserve HK\$	Other reserves HK\$	Available-for-sale fair value reserve HK\$	Shareholder's contribution 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	—	—	—	—	—	—	—	—	23,053,657	23,053,657
Other comprehensive income:										
Currency translation differences	—	—	76,138	—	—	—	—	—	—	76,138
Fair value change on available for sales securities	—	—	—	—	—	—	152,000	—	—	152,000
Total comprehensive income for the period	—	—	76,138	—	—	—	152,000	—	23,053,657	23,281,795
Employee share option benefits	—	—	—	224,000	—	—	—	—	—	224,000
Balance at 30 September 2012 (unaudited)	<u>1,800,001</u>	<u>38,030,244</u>	<u>1,766,829</u>	<u>224,000</u>	<u>500,000</u>	<u>8,020,110</u>	<u>152,000</u>	<u>20,751,024</u>	<u>37,803,001</u>	<u>109,047,209</u>
Balance at 1 January 2011 (audited)	—	—	1,127,980	—	182,452	(578,549)	—	20,751,024	(6,197,791)	15,285,116
Profit for the period	—	—	—	—	—	—	—	—	2,809,704	2,809,704
Other comprehensive income:										
Currency translation differences	—	—	404,346	—	—	—	—	—	—	404,346
Total comprehensive income for the period	—	—	404,346	—	—	—	—	—	2,809,704	3,214,050
Share swap pursuant to group reorganization	—	—	—	—	—	8,598,659	—	—	—	8,598,659
Issuance of shares	1,800,001	52,192,180	—	—	—	—	—	—	—	53,992,181
Share issuing expenses	—	(14,161,936)	—	—	—	—	—	—	—	(14,161,936)
Balance at 30 September 2011 (unaudited)	<u>1,800,001</u>	<u>38,030,244</u>	<u>1,532,326</u>	<u>—</u>	<u>182,452</u>	<u>8,020,110</u>	<u>—</u>	<u>20,751,024</u>	<u>(3,388,087)</u>	<u>66,928,070</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 30 September 2012 HK\$	(Audited) At 31 December 2011 HK\$
No later than 1 year	11,476,859	11,613,064
Later than 1 year and no later than 5 years	23,660,560	30,369,053
Over 5 years	956,029	586,799
	<u>36,093,448</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 30 September 2012 HK\$	(Audited) At 31 December 2011 HK\$
Contracted but not provided for:		
Property, plant and equipment	23,477,573	—
Capital injection to jointly controlled entities	3,852,618	3,852,618
	<u>27,330,191</u>	<u>3,852,618</u>

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

	(Unaudited) At 30 September 2012 HK\$	(Audited) At 31 December 2011 HK\$
Contracted but not provided for:		
Property, plant and equipment	7,338,552	7,338,552

11. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 30 September 2012 and 31 December 2011.

BUSINESS AND FINANCIAL REVIEW

The Group is principally engaged in operating budget boutique hotels, providing hotel consultancy services and hotel management services in the PRC.

The Group recorded a net profit of HK\$23,053,657 for the nine months ended 30 September 2012 compared with a net profit of HK\$2,809,704 for the same period of last financial year, representing a significant increase of 721%. The net profit was mainly due to the recognition of revenues generated from the provision of hotel consultancy services and hotel management services for the nine months in 2012, and also the improvement of performance from the hotel operations in the third quarter of 2012.

Hotel Operation

The Group currently operates five leased-and-operated hotels, and two operated-and-managed hotels located in Foshan and Daimeisha, which commenced operation in the third quarter of 2012. Revenue from hotel operations segment reached HK\$22,772,397 during the nine months ended 30 September 2012, representing an increase of 12.7% as to revenue of HK\$20,203,496 for the same period of last financial year. Revenue increased was mainly due to the recognition of management fee income for the management services provided for the newly operated-and-managed hotels, and also increase of average room revenue and occupancy rate in the leased-and-operated hotels. The average room revenue of all hotels during the nine months ended 30 September 2012 was RMB185.68 compared with RMB180.51 for the same period of last financial year, representing an average increase of approximately 2.86% in each hotel. The occupancy rate in the third quarter particularly was improved to approximately 84%, it was due to the completion of renovation and facility improvement in some hotels, the improvement of occupancy rate in this particular quarter induced the overall average occupancy rate for the nine months ended 30 September 2012 to 76.64%, despite it was still a slight decrease compared with 80.19% for the same period of last year. The Group expects the occupancy rate in the last quarter of 2012 will be further improved.

The following table shows the key information of the total of the Group's leased-and-operated hotels in aggregate for the nine months ended 30 September 2011 and 2012.

	For nine months ended 30 September	
	2012	2011
Total available room nights	110,106	112,169
Occupancy	76.64%	80.19%
ARR (RMB) *	185.68	180.51
RevPAR (RMB) ^Δ	142.31	144.76

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

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

Hotel Consultancy Services

Revenue from hotel consultancy services segment was HK\$39,062,510 during the nine months ended 30 September 2012, compared with HK\$9,780,310 for the same period of last financial year, representing a significant increase of 299%.

During the nine months ended 30 September 2012, the Group had entered into sixteen hotel consultancy agreements for the provision of hotel consultancy services. The Group had recognized 82% in average of the consultancy fee as revenues according to the stage of completion. The revenue is recognised according to the progress of completion of hotel consultancy services contracts, services were rendered in the areas of feasibility study, hotel interior design, preparing operation procedures and quality control manuals, and construction contractor selection.

OPERATING COSTS

During the nine months ended 30 September 2012, the total operating costs was HK\$30,970,729, increased by HK\$5,334,420 or approximately an increase of 20.8% compared with HK\$25,636,309 for the same period of last financial year. The increase is primarily attributable to the increase in employee benefit expenses, which was increased by HK\$2,129,400 or approximately 44.8% as compared to the same period of last year. The other reason of increase of operation costs is due to the increase in depreciation of property, plant and equipment, there were repair and renovation works done in the leased-and-operated hotels for the first half of 2012, the total depreciation expenses were increased by HK\$1,486,641, approximately 29.0% compared to the same period of last financial year. Besides, the Group is currently implementing a branding exercise to enhance the awareness of the brand name “Welcome Inn” in the PRC, the Group incurred HK\$2,417,157 in the marketing and promotion activities in the other operating expenses during the nine months ended 30 September 2012.

The following table shows the total operating costs for the nine months ended 30 September 2011 and 2012:

	For nine months ended		
	30 September		
	2012	2011	<i>% of change</i>
<i>HK\$</i>	<i>HK\$</i>		
Operating lease expenses	7,746,829	6,917,788	12.0%
Depreciation of property, plant and equipment	6,613,135	5,126,494	29.0%
Employee benefit expenses	6,879,984	4,750,584	44.8%
Utilities	1,334,555	1,280,219	4.2%
Other operating expenses	8,396,226	7,561,224	11.0%
	<u>30,970,729</u>	<u>25,636,309</u>	<u>20.8%</u>

OUTLOOK

Notwithstanding the credit crisis in Europe cannot be extinguished and the recovery of economy of the United States of America is still in doubt, the global economic prospect seemed to be much less optimistic, all these factors may interfere the pace of economic growth of the PRC, however, exactly due to the global economy steps into the stage of recession, the domestic demands of budget boutique hotels are huge due to the customers become more cost conservative, rendering an opportunity for the Group to sustain remarkable growth in this year, the Directors consider the Group’s performance was encouraging in the nine months of 2012 and the Directors remain optimistic towards the Group’s development and the prospects of the budget hotel business in the domestic PRC market.

Regarding to the hotel management services, there were two operated-and-managed hotels, located in Foshan and Daimeisha, commenced operation in the third quarter of 2012, Besides, the renovation for Sanya WelcomeInn Waterfront Hotel was completed and the issue of business license is in progress, the Sanya WelcomeInn Jinhua Hotel and another Shiwan Hotel located in Foshan are currently under renovation, which are expected to commence operation in the first quarter of 2013.

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

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 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group had adopted Rules 5.48 to Rules 5.67 Rules of the GEM Listing Rules ("Model Code") as its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings. There was a sale of shares of the Company (the "Shares") by Mr. De Weyer, Daniel Ludovicus Joannes ("Mr. De Weyer"), who is one of the non-executive directors of the Company, on 11 April 2012 which constituted dealing in shares within the "black-out period" by a director of the Company contrary to Rule 5.56 of the GEM Listing Rules. The Company has an established system whereby the directors of the Company are required to first notify the chairman of the Board in writing and receive a dated written acknowledgement from the Chairman, before dealing in the Shares. The Company also maintains a written record of the notifications and acknowledgements in accordance with the GEM Listing Rules. However, the sales of Shares by Mr. 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, save as the above incidence, the directors of the Company had complied with the required standard of dealings and the code of conduct for directors' securities transactions during the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 third quarterly financial results for the nine months ended 30 September 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 nine months ended 30 September 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 30 September 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 30 September 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.

SUBSEQUENT EVENTS

Placing of HK\$30.6 Million Convertible Notes under General Mandate

On 12 October 2012, the Company completed a placing of convertible notes in an aggregate principal amount of HK\$30.6 million to not less than six places.

The convertible notes bear interest at the rate of 5% per annum and shall mature on the second anniversary of 12 October 2012. Assuming the exercise in full of the conversion rights attaching to the convertible notes at the initial conversion price of HK\$0.85 (subject to adjustments) per conversion share, an aggregate of 36 million conversion shares will be issued, representing approximately 20% of the existing issued share capital of the Company and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the conversion shares.

The net proceeds from the issue of the Convertible Notes was approximately HK\$29.5 million, which is intended to be used as general working capital for the Group's existing project in the PRC and future expansion of the Group.

Signing a Memorandum of Understanding in Respect of the Possible Acquisition

On 17 October 2012, the Company entered into a non-legally binding Memorandum of Understanding (the "MOU") with Mr. Ng (the "Vendor") pursuant to which the Company intended to acquire and the Vendor intended to sell 100% of the issued share capital of the Spacial Interior Design Company Limited, which is principally engaged in the business of interior decoration and design.

In consideration of the six months after the date of the MOU (the "Exclusivity Period") , the Company agrees to pay an earnest money in the amount of HK\$10 million (the "Earnest Money") to the Vendor. The Earnest Money shall be refunded to the Company within five business days from the date the Vendor received the Company's written notification of its decision not to proceed with the Possible Acquisition or if the Vendor and the Company shall enter into the definitive agreement, such Earnest Money shall be applied towards part payment of the consideration for the Possible Acquisition payable by the Company to the Vendor.

The consideration of the Possible Acquisition shall be approximately HK\$60 million and subject to further negotiation and Agreement between the Company and the Vendor after the Company has completed the due diligence review.

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

As at 30 September 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	55.42%
Mr. De Weyer, Daniel Ludovicus Joannes (Note 2)	Beneficial Owner	10,382,655	5.77%

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 10,382,655 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 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 30 September 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 (Note 1)	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 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, 7 November 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.