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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)

CONTINUING CONNECTED TRANSACTIONS

ENTERING INTO OF THE 2021 CONSULTANCY FRAMEWORK AGREEMENT

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On 28 May 2021 (after trading hours of the Stock Exchange), the Company and Hazens entered into the 2021 Consultancy Framework Agreement pursuant to which the Group will provide accommodation consultancy services to Hazens for a term commencing from 28 May 2021 to 31 December 2021 (both days inclusive).

As at the date this announcement, Hazens is owned as to 99% by Mr. Yuan Fuer (袁富兒) and 1% by his brother Mr. Yuan Anru (袁安如) respectively. Since Mr. Yuan Fuer is a controlling shareholder of the Company and non-executive Director, he is a connected person of the Company under Rule 14A.07 of the Listing Rules. Therefore, the entering into of the 2021 Consultancy Framework Agreement between the Company and Hazens and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual cap for the financial year ending 31 December 2021 under the 2021 Consultancy Framework Agreement exceed 5% but do not exceed 25% and the annual cap is less than HK\$10 million, the continuing connected transactions under the 2021 Consultancy Framework Agreement are subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

ENTERING INTO OF THE 2021 CONSULTANCY FRAMEWORK AGREEMENT

On 28 May 2021 (after trading hours of the Stock Exchange), the Company and Hazens entered into the 2021 Consultancy Framework Agreement pursuant to which the Group will provide accommodation consultancy services to Hazens in respect of feasibility of accommodation business at the locations proposed by Hazens and the design of accommodation places for a term commencing from 28 May 2021 to 31 December 2021 (both days inclusive).

The principal terms of the 2021 Consultancy Framework Agreement are set out below:

Date	:	28 May 2021 (after trading hours of the Stock Exchange)
Parties	:	(i) The Company; and (ii) Hazens
Term	:	The term commences from 28 May 2021 and ends on 31 December 2021 (both days inclusive)
Nature of transactions	:	Pursuant to the 2021 Consultancy Framework Agreement, the Group agreed to provide the following accommodation consultancy services to Hazens and its subsidiaries within the term above.

The accommodation consultancy services will include, but not limited to: (i) seeking suitable location in relation to the accommodation business; (ii) performing market research of the location of accommodation business proposed by Hazens; (iii) providing advice on certain interior and external design for the accommodation business; (iv) advising on estimated renovation cost and analysis on the financial forecast of the accommodation business; (v) preparing operation manual and quality manuals with reference to ISO standards; and (vi) assisting Hazens in seeking construction contractor for the accommodation business.

Hazens should be responsible for applying the licenses (such as industry and commerce, taxation, fire safety measures, health, property ownership or rights of use, and related business licenses (such as hotel operating license), etc.) and relevant expenses. Hazens may also seek qualified construction teams to decorate the property of accommodation business according to the standard recommended by the Group.

The parties will enter into individual agreement for each transaction

setting out specific terms of the services including, among others, scope of services, service fees, settlement method and payment arrangement. Such terms will be consistent with the terms of the 2021 Consultancy Framework Agreement.

Pricing basis : The basis of service fee were arrived after arm's length negotiations between the Group and Hazens after taking into consideration of the market conditions, the Group current pricing policy of the services and on normal commercial terms or on terms no less favourable to the Group than those offered to other customers of the Group who are Independent Third Parties for comparable services.

If there is no relevant market price or comparable services that the Group provide to Independent Third Parties, the service fees will be determined by the relevant costs and past performance of such consulting services of the Group and take reference to the market price of such comparable services.

Payment terms : Payment of service fees will be made according to the payment terms of the individual agreement for each transaction between the parties, which will be determined by arm's length negotiations between the parties with reference to, among others, the amount of service fees payable.

Right of first refusal : Since Hazens is a company controlled by Mr. Yuan Fuer (袁富兒), a connected person of the Company, the accommodation business in relation to the 2021 Consultancy Framework Agreement, if conducted, might constitute competing business. To avoid any potential conflicts and unapproved competition with the Group, Hazens agreed that if the accommodation business in relation to the 2021 Consultancy Framework Agreement will be conducted by Hazens or its associate (other than the Company and its subsidiaries) or other Independent Third Parties, Hazens shall notify the Group in written form.

The Group has the priority to obtain such business opportunities regarding the accommodation business and the Group must inform Hazens whether the Group will exercise the right of first refusal within 30 days after receiving the written notice.

The Group can only exercise the right of first refusal after obtaining all independent non-executive directors approval. If there is a conflict

of interest or potential conflict of interest from the directors of the Group, the directors with conflicts of interest (if any) shall be excluded in all board meetings and its voting right regarding whether to exercise the right of first refusal.

ANNUAL CAP AND BASIS OF ANNUAL CAP

The Company estimates the annual cap of HK\$8.8 million for the financial year ending 31 December 2021. The annual cap is calculated based on the estimated demand of relevant services by Hazens under the 2021 Consultancy Framework Agreement and the prevailing price of similar services provided by the Group to its Independent Third Party customers.

In order to determine the service fees for each transaction and to ensure that the service fees charged by the Group would not be less favourable than the service fees charged by the Independent Third Parties in the market for similar services, the Group will (i) make reference to the pricing of similar services with Independent Third Party customers; (ii) review historical transactions between Hazens and its Independent Third Party suppliers for similar services (if the Group could not obtain information in (i) for comparison); and (iii) obtain price quotations from its Independent Third Party suppliers and mark up with a reasonable profit margin. In order to ensure the pricing basis of connected transactions will be complied with, the Group will make reference to the pricing in all similar services in the past 12 months prior to the proposed connected transactions (the “**Review Period**”). If the Group has not provided any similar services in the Review Period, the Group will request its connected persons, e.g. Hazens, to provide details on at least two historical transactions in the Review Period with and/or quotations of its independent third party suppliers to assess the market price and assess the profitability after taking into account its relevant costs, such as price quotations from its Independent Third Party suppliers and own administrative costs. In rare cases both the Group and its connected persons have not been involved in similar services in the Review Period, the Group will determine the pricing based on price quotations from its Independent Third Party suppliers and own administrative costs and mark up with a reasonable profit margin with reference to similar services in the market.

The above proposed annual cap is not intended, and do not purport, to be an indication of the Group’s future performance or profitability and investors should not rely on the proposed annual cap in deciding whether to invest in the Shares.

INTERNAL CONTROL PROCEDURES

In addition to the annual review by the auditors and independent non-executive Directors pursuant to the requirements of Chapter 14A of the Listing Rules, the Company has implemented or will implement the following internal control measures:

- (1) The compliance department and other departments responsible for the connected transactions of the Company will assess the terms of proposed connected transactions, such as pricing, with reference to its expected costs, price level of the Independent Third Parties and profit margin of similar services in the market. The compliance department of the Company will review and monitor the total transaction amount under the 2021

Consultancy Framework Agreement to ensure that the aggregate transaction amount will not exceed the annual cap of the continuing connected transactions under the 2021 Consultancy Framework Agreement. Such compliance department will be monitored by company secretary of the Company.

- (2) All departments must report and consult to the compliance department in advance in relation to the connected transaction agreements that occur in the company's daily operations.
- (3) The management of the Company will determine the procedures for disclosure of each connected transactions in accordance with the Listing Rules and immediately organizes the implementation and the relevant department including financial department shall assist in providing all the information required for disclosure.
- (4) The independent non-executive Directors will conduct annual independent review on the above control measures and the transactions to ensure that the transactions are entered into through arm's length negotiations and on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of the transactions; and
- (5) The auditors of the Company would also conduct an annual review on the pricing basis and the annual cap(s) under the 2021 Consultancy Framework Agreement. The Company will facilitate the provision of necessary information to its independent non-executive Directors and auditors for the purpose of such review.

The Board is of the view that the above measures and procedures can ensure that the pricing and other contract terms for the continuing connected transactions of the Group are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and that the continuing connected transactions are conducted as agreed under the 2021 Consultancy Framework Agreement and in compliance with Chapter 14A of the Listing Rules. The Company confirms that there is no changes to the connected transactions under the 2021 Consultancy Framework Agreement.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2021 CONSULTANCY FRAMEWORK AGREEMENT

The Company is principally engaged in accommodation operations, provision of accommodation consultations and accommodation facilities management services and other related business. As at the date of this announcement, the Company has five leased-and-operated hotels under operation in Shenzhen, Huizhou, Chengdu and Wuhan, the PRC.

Hazens is a company established in the PRC with registered capital of RMB100 million. The business scope of Hazens covers investment and operation of business, trading in the PRC, investment in medical projects, investment in cultural tourism business and information consultancy. As at the date of this announcement, Hazens is owned as to 99% by Mr. Yuan Fuer and 1% by his brother Mr. Yuan Anru respectively. Since Mr. Yuan Fuer is a controlling shareholder

of the Company and non-executive Director, he is a connected person of the Company under Rule 14A.07 of the Listing Rules.

Since the Group has practical experiences in accommodation operations in the PRC, the Group has been providing consultancy services relevant to accommodation in respect of market and feasibility study and technical requirements and layout design of hotels. Leveraging these solid experiences, the Group has also started to operate its hotel business in Wuhan and Chengdu, the PRC in 2021. In view of that the Group has been engaged in provision of relevant consultancy services and business scope of Hazens includes cultural tourism related business and the projects of which in the PRC may be relevant to hotel or accommodation business, the Group has provided relevant accommodation consultancy services to Hazens pursuant to the 2020 Consultancy Framework Agreement. In view that the 2020 Consultancy Framework Agreement has already expired, both parties intend to continue the business relationship by entering into the 2021 Consultancy Framework Agreement. The Company considers that the entering into of the 2021 Consultancy Framework Agreement represents an opportunity to the Group for identifying new hotel and accommodation projects on one side and the Group can broaden its revenue stream on another side.

Taking into account the aforesaid commercial rationale and benefits of the accommodation consultancy services, the Directors (including the independent non-executive Directors) consider that the transactions under the 2021 Consultancy Framework Agreement are on normal commercial terms and in ordinary and usual course of business of the Group and that the terms and conditions of the 2021 Consultancy Framework Agreement and the aforesaid annual cap are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date this announcement, Hazens is owned by as to 99% by Mr. Yuan Fuer and 1% by his brother Mr. Yuan Anru respectively. Since Mr. Yuan Fuer is a connected person of the Company under Rule 14A.07 of the Listing Rules, the entering into of the 2021 Consultancy Framework Agreement between the Company and Hazens and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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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
“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
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and connected persons of the Company
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
Hazens	合正控股集團(深圳)有限公司 (transliterated as Hazens Holdings Group (Shenzhen) Limited for identification purpose) which is a company established in the PRC with registered capital of RMB100 million. As at the date of this announcement, Hazens is owned as to 99% by Mr. Yuan Fuer (袁富兒) and 1% by his brother Mr. Yuan Anru (袁安如) respectively

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“2020 Consultancy Framework Agreement”	the agreement dated 29 September 2020 entered into between the Company and Hazens in respect of provision of accommodation consultancy services by the Group for a term commencing from 29 September 2020 to 31 December 2020 (both days inclusive)
“2021 Consultancy Framework Agreement”	the agreement dated 28 May 2021 entered into between the Company and Hazens in respect of provision of accommodation consultancy services by the Group for a term commencing from 28 May 2021 to 31 December 2021 (both days inclusive)
“%”	per cent.

By order of the Board

Legend Strategy International Holdings Group

Company Limited

Yuan Fuer

Chairman

Hong Kong, 28 May 2021

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

Executive directors:

Mr. Chen Wu (*Chief Executive Officer*)

Mr. Chung Tin Yan

Non-executive directors:

Mr. Yuan Fuer (*Chairman*)

Mr. Hu Xinglong

Independent non-executive directors:

Mr. Wu Jilin

Mr. Du Hongwei

Ms. Li Zhou