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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, a licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Legend Strategy International Holdings Group Company Limited (the “Company”), you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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LEGEND STRATEGY INTERNATIONAL HOLDINGS GROUP COMPANY LIMITED

枋瀆國際集團控股有限公司

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

(Stock Code: 1355)

- (1) PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
(2) PROPOSED REFRESHMENT OF GENERAL MANDATE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Advisor to the Company



Placing Agent



Independent financial adviser to the Independent Board Committee and the Independent Shareholders



A letter from the Board is set out on pages 5 to 22 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 23 to 24 of this circular. A letter from Gram Capital containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 32 of this circular.

A notice convening the EGM to be held at 5:00 p.m. on 12 November 2014 at Unit 1303, 13th Floor, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong is set out on pages 33 to 36 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Union Registrars Limited at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings:

“Accreted Value”	in relation to a Convertible Bond to be redeemed prior to the Maturity Date, an amount of principal that would result in an annualised yield on the Convertible Bond subscribed on the date of the original issuance of the Convertible Bond, at its principal amount, of 14% per annum through to the redemption date (which is identical to the gross yield in the case of redemption on maturity), calculated on an annual bond equivalent basis of the actual number of days elapsed in the relevant interest period divided by 365 days
“AGM”	the annual general meeting of the Company held on 26 June 2014
“Announcement”	the announcement of the Company dated 19 September 2014 in relation to the Placing
“Articles”	the articles of associations of the Company as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business Day(s)”	any day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Legend Strategy International Holdings Group Company Limited (stock code: 1355), an exempted company incorporated in the Cayman Islands with limited liability, with its Shares listed on the main board of the Stock Exchange
“Completion Date”	collectively, the Tranche I Convertible Bonds Completion Date and the Tranche II Convertible Bonds Completion Date
“connected person(s)”	the meaning ascribed to it under the Listing Rules
“Convertible Bonds”	collectively, the Tranche I Convertible Bonds and the Tranche II Convertible Bonds

DEFINITIONS

“Conversion Period”	the period commencing on the date of issue of the Convertible Bonds up to 4:00 p.m. (Hong Kong time) on the Maturity Date
“Conversion Price”	HK\$0.8 per Conversion Share, subject to adjustments, pursuant to the terms and conditions of the Convertible Bonds
“Conversion Shares”	shares of the Company to be issued upon conversion of the Convertible Bonds
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at 5:00 p.m. on 12 November 2014 at Unit 1303, 13th Floor, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong, or any adjournment thereof, for the Shareholders to consider and, if thought fit, approving, inter alia, the Placing Agreement (as supplemented by the Supplemental Placing Agreement) and all the transactions contemplated thereunder, the issue of the Convertible Bonds and the allotment and issue of Conversion Shares under the Specific Mandate and the Refreshment of General Mandate
“Existing General Mandate”	the general mandate granted by the Shareholders at the AGM to the Directors to allot, issue and deal with up to a maximum of 43,504,000 Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors of the Company to advise the Independent Shareholders as to, inter alia, the fairness and reasonableness of the Refreshment of General Mandate
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation under the SFO licensed to conduct type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate

DEFINITIONS

“Independent Shareholder(s)”	any Shareholders other than controlling Shareholders of the Company and their associates or, if there are no controlling Shareholders, any Shareholders other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates who shall hold Shares as at the date of the EGM
“Independent Third Parties”	any person who himself is, and (in the case of corporate entity) its ultimate beneficial owners are, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, third parties independent of the Company and its connected persons
“Latest Practicable Date”	23 October 2014, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling one (1) year from the date of issue of the Convertible Bonds or if such date is not a Business Day, the next Business Day
“New General Mandate”	the general mandate proposed to be sought at the EGM to authorise the Directors to allot, issue and deal with new Shares not exceeding 20% of the aggregate nominal amount of share capital of the Company in issue as at the date of the EGM
“Placee(s)”	any professional, institutional or other investor(s) or person or entity procured by the Placing Agent to subscribe for any of the Convertible Bonds pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of the Convertible Bonds pursuant to the Placing Agreement (as supplemented by the Supplemental Placing Agreement)
“Placing Agent”	Infast Brokerage Limited, a licensed corporation to carry on businesses in type 1 (dealing in securities), regulated activity under the SFO
“Placing Agreement”	the placing agreement dated 19 September 2014 (as supplemented by the Supplemental Placing Agreement) and entered into between the Company and the Placing Agent in respect of the Placing
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Previous Placing”	placing of a maximum of 43,500,000 Placing Shares basis pursuant to the terms and conditions of the placing agreement entered by the Company dated 23 July 2014
“Refreshment of General Mandate”	the proposed refreshment of the Existing General Mandate and grant of the New General Mandate
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought at the EGM for the issue and allotment of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Placing Agreement”	the supplemental placing agreement dated 3 October 2014 entered into between the Company and the Placing Agent to supplement and amend the terms of the Placing Agreement
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Tranche I Convertible Bonds”	the convertible bonds in the aggregate principal amount of HK\$48,000,000 to be placed under the Placing
“Tranche I Convertible Bonds Completion Date”	the date of Completion of the Placing of Tranche I Convertible Bonds
“Tranche II Convertible Bonds”	the convertible bonds in the aggregate principal amount of HK\$32,000,000 to be placed under the Placing
“Tranche II Convertible Bonds Completion Date”	the date of Completion of the Placing of Tranche II Convertible Bonds
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Fong Man Kelvin (*Chairman*)
Ms. Fong Nga Peggy
Mr. Yue Kwai Wa Ken
Mr. Yip Chung Wai David

Registered office:

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Independent Non-executive Directors:

Dr. Wong Hak Kun, Jerry
Mr. Wong Sui Chi, Frankie
Mr. Liu Cheng Zhong
Mr. Frostick Stephen William

*Head office and principal place of
business in Hong Kong:*

Unit 1303, 13th Floor
Tai Tung Building
8 Fleming Road
Wanchai, Hong Kong

27 October 2014

To the Shareholders

Dear Sir or Madam,

**(1) PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
(2) PROPOSED REFRESHMENT OF GENERAL MANDATE
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement. On 19 September 2014 (after trading hours), the Company entered into the Placing Agreement (as supplemented by the Supplemental Placing Agreement) with the Placing Agent, pursuant to which the Placing Agent agreed amongst other things to procure not less than six Placees to subscribe for (i) the Tranche I Convertible Bonds on a fully underwritten basis; and (ii) the Tranche II Convertible Bonds on a best effort basis in aggregate principal amount of not more than HK\$80.0 million.

LETTER FROM THE BOARD

In addition, upon completion of the Previous Placing, the Board considers that it is in the interest of the Company to have additional options when considering fund raising activities in the future. The Board therefore proposes to refresh the Existing General Mandate and grant the New General Mandate to allow the Directors to issue and allot new Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM.

The purpose of this circular is to provide the Shareholders, among other things, (i) further details of the Placing Agreement (as supplemented by the Supplemental Placing Agreement); (ii) the Refreshment of General Mandate; (iii) the recommendation from the Independent Board Committee to the Independent Shareholders with regard to the Refreshment of General Mandate; (iv) the recommendation from Gram Capital to the Independent Board Committee and the Independent Shareholders with regard to the Refreshment of General Mandate; and (v) a notice of the EGM.

I. THE PLACING AGREEMENT

Date

19 September 2014 (after trading hours) (as supplemented by the Supplemental Placing Agreement)

Parties

Issuer : The Company

Placing Agent : Infast Brokerage Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties.

Subject matter of the Placing Agreement

The Placing Agent has conditionally agreed to procure not less than six Placees who are Independent Third Parties for the subscription of the Tranche I Convertible Bonds on a fully underwritten basis and the Tranche II Convertible Bonds on a best effort basis. Since the Placing Agent has agreed to procure the Placees to subscribe for the Tranche I Convertible Bonds on a fully underwritten basis, in the event that the Placing Agent is unable to procure sufficient Placees to subscribe for the Tranche I Convertible Bonds in full, the Placing Agent is obliged to take up the balance of the principal amount of the Tranche I Convertible Bonds which are not subscribed by the Placees.

Placing Commission

The Company shall pay to the Placing Agent a fee equal to 3.0% of the aggregate principal amount of the Convertible Bonds placed by the Placing Agent to the Placee(s) upon Completion. Such rate was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to, among other things, the size of the Placing, the current and expected market conditions and prevailing placing commission rate charged for similar placing activities.

LETTER FROM THE BOARD

Principal terms of the Convertible Bonds

The following summarises certain of the principal terms of the Convertible Bonds:

Issuer	:	The Company
Total principal amount	:	Up to HK\$80,000,000, comprising HK\$48,000,000 under the Tranche I Convertible Bonds and up to HK\$32,000,000 under the Tranche II Convertible Bonds
Issue price	:	HK\$80,000,000, representing 100% of the principal amount of the Convertible Bonds
Interest	:	8% per annum on the outstanding principal amount thereof. Interest shall be accrued daily on a 365 days basis and is payable on the Maturity Date
Maturity Date	:	One year from the relevant date of issue or if such date is not a Business Day, the next Business Day
Conversion rights	:	The Bondholders will have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares at the Conversion Price at any time during the Conversion Period provided that (i) any conversion of the Convertible Bonds does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder which exercised the conversion rights, represents more than 30% (or such other percentage as stated in Rule 26 of the Takeovers Code in effect from time to time) of the then issued ordinary share capital of the Company or otherwise pursuant to other provisions of the Takeovers Code and (ii) the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at the time in compliance with the Listing Rules
Conversion Shares	:	Assuming the conversion rights attached to the Convertible Bonds are exercised in full at the initial Conversion Price of HK\$0.80 per Conversion Share, a maximum of 100,000,000 Conversion Shares will be allotted and issued, representing approximately 38.20% of the entire issued share capital of the Company as at the Latest Practicable Date and approximately 27.64% of the entire issued share capital of the Company as enlarged by the issue of the Conversion Shares.

LETTER FROM THE BOARD

Conversion Price : HK\$0.8 per Conversion Share, subject to adjustments for the anti-dilution provisions as summarized in the paragraph headed “Anti-dilution adjustments” below.

The Conversion Price represents:

- (i) a premium of approximately 3.90% over the closing price of HK\$0.770 per Share as quoted on the Stock Exchange on the date of the Placing Agreement;
- (ii) a premium of approximately 6.38% over the average closing price of HK\$0.752 per Share as quoted on the Stock Exchange for the last five (5) trading days immediately prior to the date of the Placing Agreement;
- (iii) a premium of approximately 18.34% over the average closing price of HK\$0.676 per Share as quoted on the Stock Exchange for the last ten (10) trading days immediately prior to the date of the Placing Agreement;
- (iv) a premium of approximately 47.60% over the net asset value of the Company as at 30 June 2014 of HK\$0.542 per Share; and
- (v) a discount of approximately 28.57% over the closing price of HK\$1.120 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The initial Conversion Price was determined after arm’s length negotiations between the Company and the Placing Agent with reference to the market price of the Shares under the prevailing market conditions.

Maturity Redemption : At 106% of outstanding principal amount of the Convertible Bonds on the Maturity Date.

Early Redemption : The Company shall be entitled at any time while the Convertible Bonds are outstanding and have not been converted to redeem the Convertible Bonds from the Bondholder(s) at the Accreted Value by serving 14-day prior notice of redemption to the relevant Bondholder(s).

No interest shall be payable in respect of the Convertible Bonds which are redeemed prior to the Maturity Date.

LETTER FROM THE BOARD

- Anti-dilution adjustments : The Conversion Price will be subject to adjustments upon the occurrence of the following events:
- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or sub-division;
 - (ii) an issue (other than in lieu of a declared cash dividend) by the Company of Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund);
 - (iii) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, or a grant by the Company to Shareholders of rights to acquire for cash assets of the Company or any of its subsidiaries, to the Shareholders in their capacity as such;
 - (iv) an offer or grant being made by the Company to the Shareholders by way of rights or options or warrants to subscribe for new Shares at a price which is less than 80% of the market price of the Shares;
 - (v) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if the total effective consideration per new Share initially receivable for such securities is less than 80% of the market price of the Shares or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration is less than 80% of the market price of the Shares;
 - (vi) an issue of Shares being made wholly for cash at a price less than 80% of the market price of the Shares; and
 - (vii) an issue of Shares for the acquisition of asset at a total effective consideration per new Share is less than 80% of the market price of the Shares.

LETTER FROM THE BOARD

Save for the adjustment as set out above, the Conversion Price will not be subject to any other adjustments.

- Transferability : The Convertible Bonds may be freely transferred by the Placees in whole amounts or multiples of units of principal amount of the Convertible Bonds of HK\$800,000 to transferee who is not a restricted holder (as defined under the terms and conditions of the Convertible Bonds) and any transfer of the Convertible Bonds to any connected person shall be subject to prior written consent of the Company.
- Voting : The Bondholders shall not be entitled to attend or vote at any meetings of the Company by reason only of its being a Bondholder.
- Listing : No application will be made for the listing of the Convertible Bonds on the Hong Kong Stock Exchange or any other stock exchange.
- An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Bonds.
- Ranking of Conversion Shares : The Conversion Shares will rank *pari passu* in all respects among themselves and with other Shares in issue on the conversion date of the Convertible Bonds.

Conditions of the Placing

The Placing is conditional upon the fulfillment of the following conditions:

- (i) The Listing Committee of the Stock Exchange granting listing of, and permission to deal in, all the Conversion Shares falling to be allotted and issued upon exercise of the Conversion Rights attached to the Convertible Bonds;
- (ii) the passing by the Shareholders of the relevant resolutions at the EGM in compliance with the requirements of the Listing Rules approving the Placing Agreement (as supplemented by the Supplemental Placing Agreement) and the transactions contemplated thereunder, the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares under the Specific Mandate; and
- (iii) the Placing Agent being satisfied with the results of the due diligence review of the assets, liabilities, operations and affairs of the Group as it may reasonably consider appropriate.

LETTER FROM THE BOARD

If the conditions specified above are not fulfilled at or before 4:00 p.m. (Hong Kong time) on (i) 14 November 2014 (or such other time or date as may be agreed between the Company and the Placing Agent in writing), or (ii) the date falling 30 days from the date of the EGM, whichever is the earlier, the Placing Agent may, at any time thereafter, terminate its obligations under the Placing Agreement by notice in writing to the Company, whereupon the obligations of the Placing Agent under the Placing Agreement shall forthwith cease and terminate and neither the Company nor the Placing Agent shall have any claim against any of the others, save for any antecedent breach thereof.

Completion of the issue of the Convertible Bonds

Pursuant to the Placing Agreement (as supplemented by the Supplemental Placing Agreement), completion of the issue of the Tranche I Convertible Bonds is scheduled to take place within (i) five (5) Business Days after the date on which all the conditions precedent as described above have been fulfilled or waived (or such later date as the Placing Agent and the Company may agree in writing); or (ii) 30 days after the date of the EGM, whichever is the earlier.

On the Tranche I Convertible Bonds Completion Date, the Company shall issue to the Placees the Tranche I Convertible Bonds and the Placing Agent shall make payment for the principal amounts of the Tranche I Convertible Bonds being placed or subscribed (subject to deduction for the commissions, fees and expenses in relation to the Tranche I Convertible Bonds payable by the Company).

Pursuant to the Placing Agreement (as supplemented by the Supplemental Placing Agreement), completion of the issue of the Tranche II Convertible Bonds is scheduled to take place within (i) twenty (20) Business Days after the date on which all the conditions precedent as described above have been fulfilled or waived (or such later date as the Placing Agent and the Company may agree in writing); or (ii) 30 days after the date of the EGM, whichever is the earlier.

On the Tranche II Convertible Bonds Completion Date, the Company shall issue to the Placees the Tranche II Convertible Bonds and the Placing Agent shall make payment for the principal amounts of the Tranche II Convertible Bonds being placed or subscribed (subject to deduction for the commissions, fees and expenses in relation to the Tranche II Convertible Bonds payable by the Company).

LETTER FROM THE BOARD

Termination

The Placing Agent may, by notice to the Company given at any time prior to 8:00 a.m. on the relevant Completion Date, terminate the Placing Agreement in the absolute opinion of the Placing Agent, the success of the Placing contemplated thereunder would be materially and adversely affected by:

- (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Placing; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and makes it inexpedient or inadvisable to proceed with the Placing; or
- (c) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Placing Agent is likely to materially and adversely affect the success of the Placing or otherwise makes it inexpedient or inadvisable to proceed with the Placing; or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (e) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than 15 consecutive Business Days, excluding any suspension in connection with the clearance of the announcement relating to, among other matters, the proposed issue of the Convertible Bonds and the Placing Agreement, announcement, the circular or other documents in connection with the subscription contemplated thereunder; or
- (f) any material breach of any of the representations, warranties and undertakings set out in the Placing Agreement comes to the knowledge of the Placing Agent.

If the Placing Agent terminates the Placing Agreement, all obligations of the Placing Agent and the Company under the Placing Agreement shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

LETTER FROM THE BOARD

MANDATE TO ISSUE THE CONVERSION SHARES

The Conversion Shares will be issued under the Specific Mandate to be sought at the EGM.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming (a) there is no change in the issued share capital of the Company from the Latest Practicable Date and up to the date of full conversion of the Convertible Bonds at the initial Conversion Price (other than as a result of the allotment and issue of the Conversion Shares); and (b) all of the HK\$80 million Convertible Bonds are placed in full, the following table illustrates the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon full conversion of the Tranche I Convertible Bonds at the initial Conversion Price; (iii) immediately upon full conversion of the Tranche I Convertible Bonds and the Tranche II Convertible Bonds at the initial Conversion Price; and (iv) upon full conversion of the Convertible Bonds at the initial Conversion Price and full exercise of the outstanding share options under the share option scheme of the Company:

Shareholders	As at the Latest Practicable Date		Immediately upon full conversion of the Tranche I Convertible Bonds at the initial Conversion Price		Immediately upon full conversion of the Tranche I Convertible Bonds and the Tranche II Convertible Bonds at the initial Conversion Price		Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price and full exercise of the outstanding share options	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Mr. Fong Man Kelvin (<i>Note 1</i>)	102,576,466	39.19	102,576,466	31.88	102,576,466	28.35	102,576,466	27.86
Public Shareholders								
Places	—	—	60,000,000	18.65	100,000,000	27.64	100,000,000	27.16
Other public Shareholders	159,193,535	60.81	159,193,535	49.47	159,193,535	44.01	159,193,535	43.23
Holder(s) of share options (<i>Note 2</i>)	—	—	—	—	—	—	6,450,000	1.75
	<u>261,770,001</u>	<u>100.00</u>	<u>321,770,001</u>	<u>100.00</u>	<u>361,770,001</u>	<u>100.00</u>	<u>368,220,001</u>	<u>100.00</u>

Notes:

- Mr. Fong Man Kelvin is an executive Director and the chairman of the Board.
- The share options refer to the outstanding share options under a share option scheme of the Company adopted on 22 June 2011.

As at the Latest Practicable Date, the Company has outstanding share options under a share option scheme adopted on 22 June 2011 entitling scheme participants to subscribe for 6,450,000 Shares (the “Share Options”).

Save for the outstanding Share Options, the Company does not have any outstanding options, warrants, convertible securities or other rights to subscribe the Shares as at the Latest Practicable Date.

LETTER FROM THE BOARD

REASONS FOR THE PLACING AND USE OF PROCEEDS

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

As disclosed in the interim results announcement of the Group for the six months ended 30 June 2014 (the “**Interim Results Announcement**”), the Group has three leased-and-operated hotels and four managed hotels under operation. Net operating cash outflow of approximately HK\$39 million was recorded for the first half of 2014. As further stated in the Interim Results Announcement, the Group has four new hotels under constructions during the first six months of 2014 (the “**New Hotels**”) and the four New Hotels will soon commence operation in second half of 2014 to first quarter of 2015.

As disclosed in the announcement of the Company dated 27 January 2014, the Group entered into a memorandum of understanding (the “**MOU**”) with Vanli Holdings Company Limited (the “**Developer**”), a property developer in the PRC in relation to a proposed business cooperation (the “**Proposed Business Cooperation**”) in developing or operating not less than 50 budget hotels in the wholesale markets, multi-functional commercial complexes and shopping malls which are currently developed by the Developer in the PRC (collectively, the “**Projects**”). Pursuant to the MOU, the Proposed Business Cooperation may include (i) setting up a joint venture company for acquisition or rental of the properties in the Projects for operating budget hip hotels; (ii) entering into long-term leases between the Developer as landlord and the Group as tenant for the rental of the properties in the Projects for operating budget hip hotels; or (iii) appointment of the Group by the Developer as its exclusive operator and manager for the chain budget hip hotels operated in the Projects. Currently, the Group is still in discussion with the Developer regarding the form of the Proposed Business Cooperation.. In this connection, there may be sudden surge in funding needs of the Group for its business operational funding requirement, capital expenditure and future business development in the event the Proposed Business Cooperation materializes.

In view of (i) the Group’s working capital requirements under its existing hotel portfolio; (ii) the Group’s proposed working capital requirements for operational needs of the four New Hotels following their prospective commencement of operation, tentatively, from second half of 2014 to first quarter of 2015; and (iii) possible funding needs from both operational and investment aspects in the event the Proposed Business Cooperation materializes, the Directors consider that the Placing can strengthen the Group’s financial position and provide financial resources to the Group to meet its future development needs and obligations.

The possibility of placing of convertible bonds was first suggested by an executive Director and discussed in the meeting of the Board on 18 September 2014. The Directors have considered various ways of raising funds in the capital market and consider that the Placing is an appropriate means of raising additional capital for the Company since (i) it will not have an immediate dilution effect on the shareholding of the existing Shareholders; and (ii) if the conversion rights attaching to the Convertible Bonds are exercised, the shareholder base of the Company will be enlarged and the financial position of the Group will be improved for establishing and strengthening the existing and future business of the Group.

LETTER FROM THE BOARD

The gross proceeds to be raised from the Placing are estimated to be not less than HK\$48 million (assuming no subscription of the Tranche II Convertible Bonds) and not more than HK\$80 million (assuming full subscription of the Tranche II Convertible Bonds). The net proceeds from the Placing will be estimated to be not less than HK\$45.58 million (assuming no subscription of the Tranche II Convertible Bonds) and not more than HK\$76.30 million (assuming full subscription of the Tranche II Convertible Bonds). On such basis, the net price to the Company of each Conversion Share is approximately HK\$0.760 and HK\$0.763 respectively. The net proceeds from the Placing are intended to be used for (i) approximately 50% for general working capital of the Group for its operational needs (such as payroll costs, operating lease expenses, property management fee, other administrative expenses and legal and professional fees, etc.) for the coming 18 months after taking into account tentative commencement of operations of the four New Hotels and the Proposed Business Cooperation (if materializes). Among the net proceeds of the Placing to be applied for general working capital, approximately 50% will be applied for operating lease expenses for the Group's hotel portfolio and office premises; approximately 30% for operating expenses of the Group (such as utilities expenses, legal and professional fee, property management fee and daily supplies, etc.); and approximately 20% for staff costs; and (ii) approximately 50% for financing future investment opportunities as may be identified, including but not limited to the Proposed Business Cooperation should it materializes and the Proposed Hotel Projects (as defined below).

According to the Company's business plan, the Group intends to commence approximately 30 hotel development projects within three years from the date of the Announcement across the Southern China (the "**Proposed Hotel Projects**"). The Proposed Hotel Projects involve leasing potential properties and converting them into hotel accommodations. Each hotel development project will have around 100 rooms in average and the preliminary estimated funding requirement for each hotel project in average will be approximately RMB8 million. The average estimated funding requirement of each hotel project mainly consists of two major categories, namely (i) construction and renovation expenditure for converting and renovating a potential property into hotel accommodation. Project design fee, construction costs for large scale fitting out work (such as structural alternation and re-partitioning) and interior renovation expenditure will be required during the hotel conversion process. It is estimated that construction and renovation expenditure will account for approximately 70% of the project funding needs; and (ii) expenditure for acquisition of equipment, electrical appliances and furniture for hotel accommodation will account for approximately 30% of the project funding requirement.

The Proposed Hotel Projects will not only open up a wider choice and increase flexibility of the Group in selecting potential sites for new hotels, but will also substantially reduce the lead time and start-up cost for hotel conversion when compared to a normal green field hotel project.

Currently, the Group has identified and has commenced feasibility studies for 10 locations in the second-tier and third-tier cities in the Guangdong Province in the PRC, such as Shenzhen, Zhuhai and Huizhou for pursuing the Proposed Hotel Projects. The Group intends to commence the construction works of at least four hotel development projects in 2015 upon completion of relevant feasibility studies. For pursuing the Proposed Hotel Projects, it will be crucial for the Group to obtain sufficient funding prior to negotiation with relevant property owners or landlords for lease for carrying out the hotel conversion. In addition, deposits have to be paid by the

LETTER FROM THE BOARD

Group to contractors for hotel conversion process prior to commencement of relevant construction works by the contractors. The Group estimates that an initial start-up cost of approximately HK\$20 million will be required for the proposed four hotel development projects in 2015 under the Proposed Hotel Projects. Up to the Latest Practicable Date, no agreement has been entered by the Group for the Proposed Hotel Projects.

The Group is devoted to improve its business performance through continuous development. The management of the Group has continued to review its existing businesses from time to time and strived to improve the business operation and financial position of the Group. Save for the Proposed Business Cooperation, the Group will continue to explore possibilities to further develop its existing business through either vertical or horizontal acquisitions, co-operative arrangements and joint ventures if and when suitable business opportunities arise, in order to enhance its asset base and to strengthen its competitiveness and thus increase the Group's revenue. Moreover, the Group considers that the proposed expansion of its hotel network in Southern China under the Proposed Hotel Projects will enable the Group to gain a greater market share and minimize the fixed cost including design and development cost of its hotel portfolio. As at the Latest Practicable Date, save for the Proposed Business Cooperation, the Group has yet to identify any specific potential investment opportunities.

Terms of the Placing Agreement were determined after arm's length negotiations between the Company and the Placing Agent. The Directors consider that the terms of the Placing Agreement and the terms of the Convertible Bonds (together with the Conversion Price) are on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole.

II. PROPOSED REFRESHMENT OF GENERAL MANDATE

Existing General Mandate

At the AGM held on 26 June 2014, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing General Mandate to issue, allot and deal with up to 43,504,000 Shares, which is equivalent to 20% of the then issued share capital of the Company as at the date of the AGM.

On 23 July 2014, the Company entered into a placing agreement in relation to the Previous Placing of 43,500,000 new Shares. The Previous Placing was completed on 12 August 2014. Accordingly, 43,500,000 new Shares were successfully placed and the net proceeds from the placing amounting to approximately HK\$33.3 million was received by the Company. The net proceeds from the Previous Placing was used as to (i) approximately HK\$29.9 million for settlement of liabilities of the Group; and (ii) the remaining balance of approximately HK\$3.4 million is maintained at bank.

During the period from the grant of the Existing General Mandate to the Latest Practicable Date, as a result of completion of the Previous Placing, the Existing General Mandate had been utilised as to 43,500,000 Shares representing approximately 99.99% of the Existing General Mandate.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has not made any refreshment of the Existing General Mandate since the AGM. As at the Latest Practicable Date, the Company has outstanding Share Options entitling scheme participants to subscribe for 6,450,000 Shares. Save for the outstanding Share Options, the Company does not have any outstanding options, warrants, convertible securities or other rights to subscribe for Shares as at the Latest Practicable Date.

Proposed Refreshment of General Mandate

The Company will convene the EGM at which an ordinary resolution will be proposed to the Independent Shareholders that the Directors be granted the general mandate to allot and issue Shares not exceeding 20% of the issued share capital of the Company as at the date of passing the relevant ordinary resolution at the EGM.

Based on the 261,770,001 Shares in issue as at the Latest Practicable Date and assuming that there are no changes in the issued share capital of the Company from the Latest Practicable Date up to the date of the EGM, subject to the passing of the relevant ordinary resolution to approve the Refreshment of General Mandate at the EGM, the Directors will be authorised to allot and issue up to 52,354,000 new Shares under the New General Mandate, being 20% of the total number of Shares in issue as at the Latest Practicable Date.

The New General Mandate will expire at the earliest of (a) the conclusion of the next annual general meeting of the Company; (b) the date by which the next annual general meeting of the Company is required to be held by law or by the Articles; or (c) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company prior to the next annual general meeting of the Company.

Reasons for Refreshment of General Mandate

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

In view of the prevailing uncertainties in global economic condition and outlook, recent turbulence in the international capital market and resultant wild swings in the international equity markets, the Directors consider that the business environment may remain challenging in the foreseeable future and it may have a negative impact on the business of the Group. Having regard to the dynamic market conditions, the Directors consider that it is to the advantage of the Group to have the flexibility in raising additional funds and to have an additional option of financing to facilitate the Group's future business development, investments and acquisitions during such uncertain operating environment. Moreover, the Directors consider that as a responsible and prudent management of the Group, the strategy and the direction of the Company must be continually adjusted so as to maximize its value when the industry, business conditions and the operating environment keep changing.

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Moreover, the Company believes that appropriate investment opportunities may arise at any time and investment decisions may have to be made within a short period of time. Therefore, the Board considers that it is important for the Company to raise funds on a timely manner in order to seize the investment opportunities that may arise. Furthermore, taking note of the PRC government's economic strategy of tightened lending, the Board is of the view that the New General Mandate would enhance the financial flexibility of the Group to (i) provide capital for the Group's future business expansion and development; (ii) provide cash buffer against dynamic business environment in order to mitigate business and financial risks; and (iii) have an option to consider issue of consideration shares as one of the settlement means in an acquisition as and when the Directors consider to be appropriate should suitable investment opportunities arise in the future. Therefore, the Directors consider the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly it is necessary to request Independent Shareholders to approve the New General Mandate at the EGM.

Apart from equity financing, the Group has also considered other financing alternatives such as debt financing and bank borrowings. In deciding the means of financing method for the Group, the Group will consider the cost and other terms of the funding in order to maximize the benefit to the Shareholders. The Directors also confirmed that they would exercise due and careful consideration when choosing the best financing method available to the Group. The Directors consider that the ability of the Group to obtain bank borrowings usually depends on the Group's profitability, financial position and the prevailing market condition. Furthermore, equity financing under the New General Mandate (i) does not incur any interest payment obligations on the Group as compared with bank financing; (ii) has a more simple and less lead time process than bank financing which may subject to lengthy due diligence and negotiations with banks; (iii) is less costly and time-consuming than raising funds by way of rights issue or open offer; (iv) provides the Company with an alternative fund raising means under the current tightened bank credit market condition; and (v) provides the Company with the capability to capture any capital raising and/or prospective investment opportunity as and when it arises. Therefore, the Directors consider the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly it is necessary to request Independent Shareholders to approve the New General Mandate at the EGM.

As at the Latest Practicable Date, save for the Placing, the Company did not have any arrangements, undertakings or negotiations relating to any possible equity fund raising activities.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

There has not been any refreshment of the Existing General Mandate since the AGM. Save for the use of the Existing General Mandate since the AGM as mentioned in the paragraph headed "Existing General Mandate" above, the following table summarises the fund raising activity by the Company in the past twelve months immediately prior to the Latest Practicable Date:

LETTER FROM THE BOARD

Date of announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
23 July 2014	Placing of new shares under general mandate	HK\$33.3 million	Repayment of liabilities and general working capital of the Group	Approximately HK\$29.9 million was used to settle liabilities of the Group and the remaining balance of approximately HK\$3.4 million is maintained at bank

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

In view of the above, the Directors consider that the refreshment of the Existing General Mandate is in the best interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) for illustrative purposes only, upon full utilisation of the New General Mandate (assuming no further Share being issued or repurchased by the Company); and (iii) for illustrative purposes only, upon full utilisation of the New General Mandate and immediately upon full conversion of the Convertible Bonds at the initial Conversion Price and full exercise of the outstanding share options:

Shareholders	As at the Latest Practicable Date		Upon full utilisation of the New General Mandate		Upon full utilisation of the New General Mandate and immediately upon full conversion of the Convertible Bonds at the initial Conversion Price and full exercise of the outstanding share options	
	Approximate		Approximate		Approximate	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr. Fong Man Kelvin (Note 1)	102,576,466	39.19	102,576,466	32.65	102,576,466	24.39
Public Shareholders						
Placees	—	—	—	—	100,000,000	23.78
Other public Shareholders	159,193,535	60.81	159,193,535	50.68	159,193,535	37.85
Holder(s) of share options (Note 2)	—	—	—	—	6,450,000	1.53
Shares to be issued under the New General Mandate	—	—	52,354,000	16.67	52,354,000	12.45
	<u>261,770,001</u>	<u>100.00</u>	<u>314,124,001</u>	<u>100.00</u>	<u>420,574,001</u>	<u>100.00</u>

LETTER FROM THE BOARD

Notes:

1. Mr. Fong Man Kelvin is an executive Director and the chairman of the Board.
2. The share options refer to the outstanding share options under a share option scheme of the Company adopted on 22 June 2011.

GENERAL

Pursuant to Rule 13.36(4)(a) of the Listing Rules, the Refreshment of General Mandate requires the approval of the Independent Shareholders at the EGM, any controlling Shareholders and their associates, or where there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates, shall abstain from voting in favour of the relevant resolution to approve the Refreshment of General Mandate. As at the Latest Practicable Date, Mr. Fong Man Kelvin, the controlling Shareholder, is beneficially interested in 102,576,466 Shares, representing approximately 39.19% of the issued share capital of the Company. Pursuant to Rule 13.36(4)(a) of the Listing Rules, Mr. Fong Man Kelvin and his associates are required to abstain from voting in favour of the resolution to approve the Refreshment of General Mandate at the EGM.

The Board has been advised by Mr. Fong Man Kelvin and his associates (if any) that they have no intention to vote against the relevant resolution(s) to approve the Refreshment of General Mandate at the EGM.

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of shareholders at a general meeting must be taken by poll, except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Dr. Wong Hak Kun Jerry, Mr. Wong Sui Chi Frankie, Mr. Liu Cheng Zhong and Mr. Frostick Stephen William, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Refreshment of General Mandate. The independent financial adviser, Gram Capital, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be convened and held at 5:00 p.m. on 12 November 2014 at Unit 1303, 13th Floor, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong, for the purpose of considering, and, if thought fit, approving, inter alia, the Placing Agreement (as supplemented by the Supplemental Placing Agreement) and all the transactions contemplated thereunder, the issue of the Convertible Bonds, the allotment and issue of Conversion Shares under the Specific

LETTER FROM THE BOARD

Mandate and the Refreshment of General Mandate. To the best knowledge of the Board, (i) no Shareholder is required to abstain from voting at the EGM in respect of the resolution relating to the Placing Agreement and the transactions contemplated thereunder; and (ii) Mr. Fong Man Kelvin, being the controlling Shareholder, together with his associates are required to abstain from voting in favour of the resolution to approve the Refreshment of General Mandate at the EGM.

The notice convening the EGM is set out on pages 33 to 36 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Union Registrars Limited at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in an event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting should you so wish.

VOTING BY POLL

Under Rule 13.39 of the Listing Rules, any votes of the Shareholders at a general meeting must be taken by poll. Therefore, the chairman of the EGM will demand a poll for the resolution put forward at the EGM pursuant to the Articles. The Company will appoint Union Registrars Limited as scrutineer to handle vote-taking procedures at the EGM. An announcement will be made by the Company following the conclusion of the EGM to inform the Shareholders of the results of the EGM.

RECOMMENDATION

The Board is of the opinion that the Placing and the terms of the Placing Agreement (as supplemented by the Supplemental Placing Agreement) and the Refreshment of General Mandate are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders to vote in favour of the ordinary resolutions approving the Placing and the Refreshment of General Mandate to be proposed at the EGM.

Your attention is drawn to the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders set out on pages 23 to 24 of this circular and the letter from Gram Capital containing its recommendation to the Independent Shareholders and the principal factors which it has considered in arriving at its recommendation with regard to the Refreshment of General Mandate, as set out on pages 25 to 32 of this circular.

Completion of the Placing is subject to the satisfaction of the conditions precedent set out in the Placing Agreement (as supplemented by the Supplemental Placing Agreement). As the Placing may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

GENERAL INFORMATION

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

27 October 2014

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE

We refer to the circular of the Company to the Shareholders dated 27 October 2014 (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed by the Board as members to constitute the Independent Board Committee and to advise the Independent Shareholders in respect of the Refreshment of General Mandate which will enable the Board to exercise the power of the Company to allot, issue and deal with the new Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the EGM.

Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the Refreshment of General Mandate is fair and reasonable as far as the Independent Shareholders are concerned and whether it is in the interests of the Company and the Shareholders as a whole. Details of its recommendation, together with the principal factors and reasons taken into consideration in arriving at such recommendation, are set out on pages 25 to 32 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 22 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the Refreshment of General Mandate and the recommendation of Gram Capital, we consider that the Refreshment of General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Refreshment of General Mandate.

Yours faithfully,

For and on behalf of the Independent Board Committee

Dr. Wong Hak Kun,
Jerry

Mr. Wong Sui Chi,
Frankie

Mr. Liu Cheng Zhong

Mr. Frostick Stephen
William

Independent non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
173 Des Voeux Road Central
Hong Kong

27 October 2014

*To: The independent board committee and the independent shareholders
of Legend Strategy International Holdings Group Company Limited*

Dear Sirs,

PROPOSED REFRESHMENT OF GENERAL MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 27 October 2014 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As at the Latest Practicable Date, only a further of 4,000 Shares could be issued under the Existing General Mandate which was granted to the Directors at the AGM of the Company held on 26 June 2014. Therefore, the Board proposes to seek approval of the Independent Shareholders for the Refreshment of General Mandate such that the Directors will be granted the authority to allot, issue and deal with new Shares not exceeding 20% of the total issued share capital of the Company as at the date of passing the relevant resolution at the EGM.

Pursuant to Rule 13.36(4) of the Listing Rules, the granting of the New General Mandate requires the approval of the Independent Shareholders at the EGM at which any of the controlling shareholders (as defined in the Listing Rules) of the Company and their associates or, where there is no controlling shareholder, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the resolution proposed for the approval of such grant, and under Rule 13.39 of the Listing Rules, any vote of the shareholders at a general meeting must be taken by way of poll. As at the Latest Practicable Date, Mr. Fong Man Kelvin, the executive Director and controlling Shareholder, is beneficially interested in 102,576,466 Shares, representing approximately 39.19% of the issued share capital of the Company. Pursuant to Rule 13.36(4)(a) of the Listing Rules, Mr. Fong Man Kelvin and his associates are required to abstain from voting in favour of the resolution to approve the Refreshment of General Mandate at the EGM.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Dr. Wong Hak Kun, Jerry, Mr. Wong Sui Chi, Frankie, Mr. Liu Cheng Zhong and Mr. Frostick Stephen William (all being independent non-executive Directors) has been established to advise the Independent Shareholders on the Refreshment of General Mandate. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Refreshment of General Mandate. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular 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 in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Refreshment of General Mandate. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM GRAM CAPITAL

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Refreshment of General Mandate.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Refreshment of General Mandate, we have taken into consideration the following principal factors and reasons:

(1) Background of the Refreshment of General Mandate

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

The Directors were authorised to allot and issue up to 43,504,000 new Shares under the Existing General Mandate which was granted to the Directors at the AGM.

As disclosed in the announcements of the Company dated 23 July 2014 and 12 August 2014, 43,500,000 new Shares (the "**Previous Placing Shares**") were issued under the Existing General Mandate (the "**Previous Placing**"). Since all of the Previous Placing Shares were issued under the Existing General Mandate, the Existing General Mandate has been utilised as to 43,500,000 Shares, representing approximately 99.99% of the Existing General Mandate.

If the New General Mandate is not granted, only 4,000 new Shares may be further allotted and issued by the Directors under the Existing General Mandate. Given that the Existing General Mandate has been substantially utilised as a result of the Previous Placing, the Board proposes to seek approval of the Independent Shareholders for the Refreshment of General Mandate such that the Directors will be granted the authority to allot, issue and deal with new Shares not exceeding 20% of the total issued share capital of the Company as at the date of passing the relevant resolution at the EGM.

As at the Latest Practicable Date, the Company had 261,770,001 Shares in issue. On the basis that no Share would be issued and/or repurchased by the Company, no share option of the Company would be exercised from the Latest Practicable Date up to the date of the EGM, the Refreshment of General Mandate would allow the Directors to allot, issue and deal with up to 52,354,000 new Shares, representing 20% of the total issued share capital of the Company as at the date of the EGM.

LETTER FROM GRAM CAPITAL

(2) Reasons for the Refreshment of General Mandate

With reference to the Board Letter, in view of the prevailing uncertainties in global economic condition and outlook, recent turbulence in the international capital market and resultant wild swings in the international equity markets, the Directors consider that the business environment may remain challenging in the foreseeable future and it may have a negative impact on the business of the Group. Having regard to the dynamic market conditions, the Directors consider that it is to the advantage of the Group to have the flexibility in raising additional funds and to have an additional option of financing to facilitate the Group's future business development, investments and acquisitions during such uncertain operating environment. Moreover, the Directors consider that as a responsible and prudent management of the Group, the strategy and the direction of the Company must be continually adjusted so as to maximize its value when the industry, business conditions and the operating environment keep changing.

Moreover, the Company believes that appropriate investment opportunities may arise at any time and investment decisions may have to be made within a short period of time. Therefore, the Board considers that it is important for the Company to raise funds on a timely manner in order to seize the investment opportunities that may arise. Furthermore, taking note of the PRC government's economic strategy of tightened lending, the Board is of the view that the New General Mandate would enhance the financial flexibility of the Group to (i) provide capital for the Group's future business expansion and development; (ii) provide cash buffer against dynamic business environment in order to mitigate business and financial risks; and (iii) have an option to consider issue of consideration shares as one of the settlement means in an acquisition as and when the Directors consider to be appropriate should suitable investment opportunities arise in the future. Therefore, the Directors consider the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly it is necessary to request Independent Shareholders to approve the New General Mandate at the EGM.

As at the Latest Practicable Date, save for the Placing, the Company did not have any arrangements, undertakings or negotiations relating to any possible equity fund raising activities.

As disclosed in the announcement of the Company dated 27 January 2014, the Company entered into a memorandum of understanding with Vanli Holdings Company Limited (萬力控股有限公司) (the "**Developer**"), a property developer in the PRC in relation to a proposed business cooperation in developing or operating not less than 50 budget hip hotels in the wholesale markets, multi-functional commercial complexes and shopping malls which are currently developed by the Developer in the PRC. As confirmed by the Directors, as at the Latest Practicable Date, the Group is still in discussion with the Developer regarding the form of the proposed business cooperation which may include, among others, the acquisition of properties for operating budget hip hotels. In this connection, there may be sudden surge in funding needs of the Group for its business operational funding requirement, capital expenditure and future business development in the event the proposed business cooperation materialises.

LETTER FROM GRAM CAPITAL

In addition, we were advised by the Directors that the Group intends to commence approximately 30 hotel development projects within three years from the date of the Announcement across the Southern China. As at the Latest Practicable Date, the Group has identified and has commenced feasibility studies for 10 locations in the second-tier and third-tier cities in the Guangdong Province in the PRC. Moreover, the Group will continue to explore possibilities to further develop its existing business through either vertical or horizontal acquisitions, co-operative arrangements and joint ventures if and when suitable business opportunities arise, in order to enhance its asset base and to strengthen its competitiveness and thus increase the Group's revenue.

Given the foregoing, we are of the opinion that the Refreshment of General Mandate would provide the Company with the necessary flexibility to fulfil any possible funding needs for future business development and/or investment decisions. Accordingly, we are of the view that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

(3) Fund raising activities in the past twelve months

Set out below are the fund raising activities conducted by the Company in the past twelve months prior to the Latest Practicable Date:

Date of announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
23 July 2014	Placing of new shares under general mandate	HK\$33.3 million	Repayment of liabilities and general working capital of the Group	Approximately HK\$29.9 million was used to settle liabilities of the Group and the remaining balance of approximately HK\$3.4 million was maintained at bank

Save as and except for the above, the Company had not conducted any other fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

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(4) Flexibility in financing

As advised by the Directors, the Group does not obviate the possibilities of further issuing capital should there be investor(s) indicating interest in the business of the Company in the future although there were no such investors as at the Latest Practicable Date. The Directors believe that the proposed grant of the New General Mandate will maintain the Group's financial flexibility necessary for the Group to (i) capture investment opportunities for potential acquisitions and other future investment and fund raising opportunities that may arise in a timely manner; (ii) provide the Company with the ability and flexibility to respond to the market in time; and (iii) avoid uncertainties which may be associated with a specific mandate. In addition to the purposes of providing the Group with financial flexibility and liquidity, the proposed grant of the New General Mandate will also (i) avoid any undue delay caused by the granting of specific mandate if the Group wishes to carry out timely acquisitions; and (ii) strengthen the capital base and the shareholder base of the Group by way of issuing new Shares under the New General Mandate. The Directors are therefore of the view that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole. As further advised by the Directors, the Company did not have any plan to utilise the New General Mandate as at the Latest Practicable Date.

As discussed in the foregoing, we consider that the Refreshment of General Mandate would provide the Company with the necessary flexibility to fulfil any possible funding needs for future business development and/or investment decisions. The Refreshment of General Mandate would provide the Company with the flexibility as allowed under the Listing Rules to allot and issue new Shares for equity fund raising activities, such as placing of new Shares, or as consideration for potential investments in the future as and when such opportunities arise. Furthermore, the additional amount of equity which may be raised after the Refreshment of General Mandate would provide the Group with more financing options when assessing and negotiating potential investments in a timely manner. Given the financial flexibility available to the Company as discussed above, we are of the opinion that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

(5) Other financing alternatives

We have enquired into the Directors and the Directors confirmed that apart from equity financing, the Group will also consider debt financing and bank borrowings to be other possible fund raising alternatives available to the Group. However, the Directors are of the view that the ability of the Group to obtain bank borrowings usually depends on the Group's profitability, financial position and then prevailing market condition. In addition, such alternative may be subject to lengthy due diligence and negotiations with banks. Furthermore, equity financing under the New General Mandate (i) does not incur any interest payment obligations on the Group as compared with bank financing; (ii) provides the Company with an alternative means for fund raising which is vital in light of the tightened bank credit under the current market conditions; (iii) is less costly and time-consuming than raising funds by way of rights issue or open offer; and (iv) provides the Company with the capability to capture any capital raising or prospective investment opportunity as and when it arises.

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The Directors confirmed that they would exercise due and careful consideration when choosing the best financing method available to the Group. With this being the case, along with the fact that the Refreshment of General Mandate will provide the Company with an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future business development, we are of the view that the Refreshment of General Mandate is in the interests of the Company and the Shareholders as a whole.

(6) Potential dilution to shareholding of the existing public Shareholders

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilisation of the New General Mandate (assuming no other Shares are issued or repurchased by the Company prior to the EGM):

	Shareholding in the Company as at the Latest Practicable Date		Shareholding in the Company upon full utilization of the New General Mandate (assuming no other Shares are issued or repurchased by the Company prior to the EGM)	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Mr. Fong Man Kelvin (Note)	102,576,466	39.19	102,576,466	32.65
Existing public Shareholders	159,193,535	60.81	159,193,535	50.68
Shares to be issued under the New General Mandate	—	—	52,354,000	16.67
Total	<u>261,770,001</u>	<u>100</u>	<u>314,124,001</u>	<u>100</u>

Note:

Mr. Fong Man Kelvin is an executive Director and the chairman of the Board.

The table above illustrates that the shareholdings of the existing public Shareholders would decrease from approximately 60.81% as at the Latest Practicable Date to approximately 50.68% upon full utilisation of the New General Mandate (assuming no other Shares are issued or repurchased by the Company prior to the EGM). Such potential dilution to the shareholdings of the existing public Shareholders represents a dilution of approximately 10.13 percentage point.

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Taking into account that the Refreshment of General Mandate (i) would provide an alternative to increase the amount of capital which may be raised under the New General Mandate; (ii) would provide more options of financing to the Group for further development of its business as well as in other potential future investment as and when such opportunities arise; and (iii) the shareholding interests of all the Shareholders in the Company will be diluted in proportion to their respective shareholdings upon any utilisation of the New General Mandate, we are of the opinion that the potential dilution to the shareholdings of the existing public Shareholders as just mentioned is acceptable.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the Refreshment of General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Refreshment of General Mandate and we recommend the Independent Shareholders to vote in favour of the ordinary resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Legend Strategy International Holdings Group Company Limited (the “**Company**”) will be held at 5:00 p.m. on 12 November 2014 at Unit 1303, 13th Floor, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution:

ORDINARY RESOLUTION

1 “**THAT:**

- (a) the conditional placing agreement (as supplemented by a supplemental placing agreement dated 3 October 2014 and entered into between the parties to the Placing Agreement (as defined below)) (the “**Placing Agreement**”) entered into between the Company and Infast Brokerage Limited (the “**Placing Agent**”) pursuant to which the Placing Agent agreed to procure not less than six (6) placees to subscribe for (i) the convertible bonds in the aggregate principal amount of HK\$48,000,000 on a fully underwritten basis (the “**Tranche I Convertible Bonds**”); and (ii) the convertible bonds in the aggregate principal amount of HK\$32,000,000 on a best effort basis (the “**Tranche II Convertible Bonds**”, together with the Tranche I Convertible Bonds, the “**Convertible Bonds**”) entitling the holders thereof to convert the principal amount thereof into ordinary shares of the Company (the “**Conversion Shares**”) at the initial conversion price of HK\$0.8 per Conversion Share (subject to adjustment) (a copy of the Placing Agreement has been produced at the EGM and marked “A” and initialled by the chairman of the EGM for the purpose of identification) and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to the fulfillment and/or waiver of the conditions set out in the Placing Agreement, the directors of the Company (the “**Directors**”) be and are hereby authorised to issue the Convertible Bonds in accordance with the terms and conditions of the Placing Agreement;

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- (c) subject to the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Conversion Shares to be allotted and issued, the Directors be and are hereby granted a specific mandate to exercise the powers of the Company to allot and issue the Conversion Shares; and
- (d) any Director be and is hereby authorised to exercise all powers of the Company and take all steps as might in his opinion be desirable, necessary or expedient to give effect to or in connection with the Placing Agreement including without limitation to:
 - (i) the execution, amendment, supplement, delivery, submission and/or implementation of any further documents or agreements in relation to the Placing Agreement, the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares; and
 - (ii) the taking of all necessary actions to implement the transactions contemplated under the Placing Agreement.”

2 **“THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$0.01 each in the share capital of the Company and to make or grant offers, agreements and options (including bonds, warrants, debentures and other securities which carry rights to subscribe for or are convertible into shares of the Company) which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants, debentures and other securities which carry rights to subscribe for or are convertible into shares of the Company) which might require the exercise of such power during or after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise), issued or dealt with by the Directors pursuant to the approval in paragraph (a) above otherwise than pursuant to:—
 - (i) a Rights Issue (as hereinafter defined); or
 - (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company; or

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- (iii) the exercise of any option under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries or any other eligible participant(s) of shares or rights to acquire shares in the Company; or
- (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of the cash payment for a dividend on shares of the Company pursuant to the articles of association of the Company, from time to time

shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the said approval shall be limited accordingly; and

- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the time of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable law to be held; or
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company; and

“**Rights Issue**” means an offer of shares of the Company open for a period fixed by the Directors to holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

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

Hong Kong, 27 October 2014

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Notes:

1. Any shareholder entitled to attend and vote at the extraordinary general meeting shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy need not to be a shareholder of the Company.
2. In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Union Registrars Limited at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for the extraordinary general meeting (or any adjournment thereof).
3. Completion and delivery of a form of proxy shall not preclude a shareholder from attending and voting in person at the extraordinary general meeting and in such event, the instrument appoint a proxy shall be deemed to be revoked.
4. Where there are joint holders of any shares, any one of such joint holder may vote, either in person or by proxy in respect of such shares as if he/she was solely entitled hereto; but if more than one of such joint holders be present at the extraordinary general meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.
5. A form of proxy for use at the extraordinary general meeting is attached herewith.
6. Any voting at the extraordinary general meeting shall be taken by poll.
7. The form of proxy shall be in writing under the hand of the appointer or his attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

As at the date of this notice, the board of directors of the Company comprises four executive directors, namely Mr. Fong Man Kelvin, Ms. Fong Nga Peggy, Mr. Yue Kwai Wa Ken and Mr. Yip Chung Wai David; and four independent non-executive Directors, namely Dr. Wong Hak Kun Jerry, Mr. Wong Sui Chi Frankie, Mr. Liu Cheng Zhong and Mr. Frostick Stephen William.