

**LEGEND STRATEGY INTERNATIONAL HOLDINGS GROUP COMPANY LTD:  
WHAT DO THE MINORITY SHAREHOLDERS KNOW  
THAT THIS MEDIUM DOES NOT ?**

For a company, whose growth over the past 24 months, has been nothing short of explosive, and having no debts at all, there seems little reason for management of that company to sell any part of its equity to anybody, especially absolute strangers.

Such a company is Legend Strategy International Holdings Group Company Ltd () (Code: 8160, The Growth Enterprise Market [**The GEM**] of The Stock Exchange of Hongkong Ltd).

Legend Strategy went public on The GEM on June 30, 2011, when it published its Placing Prospectus, Offering 45 million, one-cent Shares at the Placing Price of \$HK1.20 per Share.

Trading in the shares of this Company commenced on Friday, July 15, 2011, and, since then, the share price has risen to a high of about \$HK1.70 (July 25) and, today, the share price is about \$HK1.55.

By any measure, Legend Strategy is a very small company yet the investing public of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) determined that its shares were underpriced at the time of its listing on The GEM by about 29 percent – and quickly loaded up on them.

**TARGET** () notes that only 160 valid applications for the 45 million Shares had been received; Management said that the number of applications for shares had exceeded the number of shares on Offer, being '*moderately over-subscribed*.'

The Net Proceeds of the Share Placements, amounting to about \$HK36.20 million, will be utilised, one is told, for the following purposes:

- Expand the Company's leased-and-operated hotel portfolio with focus on the south of the PRC;
- Continue to expand the hotel consultancy business;
- Expand the business by offering hotel management Services; and,
- Continue to enhance awareness of the brand names of the budget hotels.

All of the above will be executed in the coming 30 months, one is told, but a breakdown on the uses of the net proceeds is not given in the announcement, dated July 14, 2011, except to suggest that one should refer to the Placing Prospectus at Page 180 where one is told as to how the net proceeds would be allocated on the basis of the Placing Price, being \$HK1.00 Per Share.

The business of Legend Strategy is that of operating budget hotels in the PRC.

Page 92 of the Placing Prospectus explains the business of the Company in the following terms:

*'The Group is an operator and consultant of budget hip hotels in the PRC. During the Track Record Period, the Group has four leased-and-operated hotels under operation. The Group focuses on delivering values to budget-conscious hotel guests, such values included stylish design, cleanliness, comfort, friendly service, geographical convenience and safety. When designing the hotels, the Group pays attention on design details as well as placing emphasis*

*on choosing cost effective yet durable building materials which it believes to be indispensable in delivering the aforesaid values to budget conscious travellers. The interior decoration is carefully thought out to create a stylish and modern ambience to the Group's hotels. Providing comfort to its customers is also one of the Group's top priorities. The Group's hotels are budget hotels which use branded mattresses and the beds therein are furnished with fresh, crisp white linen and sumptuous pillows. Each room of the Group's hotels is also provided with complimentary broadband internet access, air conditioning and a walk-in shower. The locations of the Group's hotels are strategically selected through a very stringent and detailed process to ensure certain exposure and convenience for the hotel guests.*

*'The Group develops its hotels through leasing part of existing commercial buildings and converting them into hotel accommodations. This does not only open up a wider choice and increases flexibility in selecting potential sites for new hotels, but also substantially reduces the lead time and start up cost for hotel conversion when compared to a normal green field hotel project.*

*'The values created by the Group's hotels enjoyed very positive response from the market. To further enhance the loyalty of the customers, the Group launched a loyalty programme which requires customers to pay membership fee for the enjoyment of membership discount. As at 31 December 2010, the loyalty programme had approximately 7,300 members in total. Customers under the loyalty programme accounted for approximately 14.3% of Total Available Room Nights during the Track Record Period.'*

## **The History**

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