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**LEGEND STRATEGY INTERNATIONAL HOLDINGS GROUP COMPANY LIMITED**

**枋濬國際集團控股有限公司**

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

**(Stock Code: 8160)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors of Legend Strategy International Holdings Group Company Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement in this announcement misleading.*

## INTERIM RESULTS

The board of directors (the “Board”) of Legend Strategy International Holdings Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	(Unaudited) For six months ended 30 June		(Unaudited) For three months ended 30 June	
		2011	2010	2011	2010
		HK\$	HK\$	HK\$	HK\$
Revenue	3	13,535,370	14,339,595	6,805,293	8,620,898
Operating lease expenses		(4,526,612)	(4,250,397)	(2,364,025)	(2,154,861)
Depreciation of property, plant and equipment		(3,385,492)	(3,184,511)	(1,702,268)	(1,592,255)
Employee benefit expenses		(2,648,129)	(1,922,286)	(1,537,062)	(955,367)
Utilities		(679,903)	(607,836)	(374,407)	(350,832)
Other operating expenses	4	(5,239,105)	(1,951,459)	(3,841,361)	(1,066,436)
Operating (loss)/profit		(2,943,871)	2,423,106	(3,013,830)	2,501,147
Finance income		29,910	26,176	15,030	13,088
Finance costs		(74,032)	(67,853)	(37,203)	(33,961)
Finance costs — net	5	(44,122)	(41,677)	(22,173)	(20,873)
(Loss)/profit before income tax		(2,987,993)	2,381,429	(3,036,003)	2,480,274
Income tax expenses	6	(381,261)	(704,903)	(188,855)	(734,161)
(Loss)/profit for the period		<u>(3,369,254)</u>	<u>1,676,526</u>	<u>(3,224,858)</u>	<u>1,746,113</u>
Attributable to:					
Equity holders of the Company		(3,369,254)	1,497,156	(3,224,858)	1,653,495
Non-controlling interest		—	179,370	—	92,618
		<u>(3,369,254)</u>	<u>1,676,526</u>	<u>(3,224,858)</u>	<u>1,746,113</u>
Dividend	7	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Basic and diluted (loss)/earnings per share (HK\$ cents)	8	<u>(2.50)</u>	<u>1.11</u>	<u>(2.39)</u>	<u>1.22</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)		(Unaudited)	
	For six months ended		For three months ended	
	30 June		30 June	
	2011	2010	2011	2010
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
(Loss)/profit for the period	(3,369,254)	1,676,526	(3,224,858)	1,746,113
Other comprehensive income:				
Currency translation differences	190,101	280,896	76,877	137,191
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total comprehensive				
(loss)/income for the period	<u>(3,179,153)</u>	<u>1,957,422</u>	<u>(3,147,981)</u>	<u>1,883,304</u>
Attributable to:				
Equity holders of the Company	(3,179,153)	1,824,131	(3,147,981)	1,813,726
Non-controlling interest	—	133,291	—	69,578
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	<u>(3,179,153)</u>	<u>1,957,422</u>	<u>(3,147,981)</u>	<u>1,883,304</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 June 2011	(Audited) 31 December 2010
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	22,068,102	24,212,636
Rental deposits	10	1,012,122	934,358
Prepaid operating lease	11	269,156	295,577
Deferred income tax assets		1,529,620	1,529,620
		<u>24,879,000</u>	<u>26,972,191</u>
<b>Current assets</b>			
Trade debtors, prepayments and deposits	10	5,866,171	4,362,218
Cash and cash equivalents		1,821,465	263,590
		<u>7,687,636</u>	<u>4,625,808</u>
<b>Total assets</b>		<u><b>32,566,636</b></u>	<u><b>31,597,999</b></u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	12	1,350,001	10,000
Reserves	13	20,704,622	15,275,116
<b>Total equity</b>		<u><b>22,054,623</b></u>	<u><b>15,285,116</b></u>
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Provision for asset retirement	15	3,154,446	3,010,390
<b>Current liabilities</b>			
Trade and other payables	14	6,398,769	7,650,611
Amount due to a director		—	1,338,103
Current income tax liabilities		958,798	4,313,779
		<u>7,357,567</u>	<u>13,302,493</u>
<b>Total liabilities</b>		<u><b>10,512,013</b></u>	<u><b>16,312,883</b></u>
<b>Total equity and liabilities</b>		<u><b>32,566,636</b></u>	<u><b>31,597,999</b></u>
<b>Net current assets/(liabilities)</b>		<u><b>330,069</b></u>	<u><b>(8,676,685)</b></u>
<b>Total assets less current liabilities</b>		<u><b>25,209,069</b></u>	<u><b>18,295,506</b></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to equity holders of the Company			(Unaudited) Non- Controlling Interest HK\$	(Unaudited) Total HK\$
	(Unaudited) Share Capital HK\$	(Unaudited) Reserves HK\$	(Unaudited) Total HK\$		
Balance at 1 January 2010	10,000	(14,567,729)	(14,557,729)	2,393,525	(12,164,204)
Profit for the period	—	1,497,156	1,497,156	179,370	1,676,526
Other comprehensive income:					
Currency translation differences	—	326,975	326,975	(46,079)	280,896
Total comprehensive income for the period	—	1,824,131	1,824,131	133,291	1,957,422
<b>Balance at 30 June 2010</b>	<b>10,000</b>	<b>(12,743,598)</b>	<b>(12,733,598)</b>	<b>2,526,816</b>	<b>(10,206,782)</b>
Balance at 1 January 2011	10,000	15,275,116	15,285,116	—	15,285,116
Loss for the period	—	(3,369,254)	(3,369,254)	—	(3,369,254)
Other comprehensive loss:					
Currency translation differences	—	190,101	190,101	—	190,101
<b>Total comprehensive loss for the period</b>	<b>—</b>	<b>(3,179,153)</b>	<b>(3,179,153)</b>	<b>—</b>	<b>(3,179,153)</b>
Elimination of share capital of combined subsidiaries upon group reorganisation	(10,000)	—	(10,000)	—	(10,000)
Issuance of shares	1,350,001	—	1,350,001	—	1,350,001
Share issued pursuant to group reorganisation	—	8,608,659	8,608,659	—	8,608,659
<b>Transactions with equity holders</b>	<b>1,340,001</b>	<b>8,608,659</b>	<b>9,948,660</b>	<b>—</b>	<b>9,948,660</b>
<b>Balance at 30 June 2011</b>	<b>1,350,001</b>	<b>20,704,622</b>	<b>22,054,623</b>	<b>—</b>	<b>22,054,623</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	For six months ended 30 June	
	2011	2010
	<i>HK\$</i>	<i>HK\$</i>
Net cash (outflow)/inflow from operating activities	(7,721,742)	383,851
Net cash outflow from investing activities	(714,577)	(41,946)
Net cash inflow from financing activities	<u>9,990,000</u>	<u>—</u>
Increase in cash and cash equivalents	1,553,681	341,905
Cash and cash equivalents at the beginning of period	263,590	212,110
Exchange gains on cash and cash equivalents	<u>4,194</u>	<u>7,188</u>
Cash and cash equivalents at the end of period	<u><u>1,821,465</u></u>	<u><u>561,203</u></u>
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	<u><u>1,821,465</u></u>	<u><u>561,203</u></u>

# NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 23 February 2011 as an exempted company with limited liability under the Companies Law. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the budget hotel operations and provision of hotel consultancy services in the People's Republic of China (the "PRC").

The Company has its primary listing on the GEM of the Stock Exchange.

This condensed consolidated interim financial information has not been audited.

This condensed consolidated interim financial information is presented in Hong Kong dollars (HK\$) and has been approved for issue by the Board of Directors on 5 August 2011.

## 2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with HKAS 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the unaudited interim financial information are consistent with those used in the accountants' report for the year ended 31 December 2010 included in the prospectus of the Company dated 30 June 2011 (the "Prospectus"), except for adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with HKFRSs.

### 2.1 Going-concern basis

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the condensed interim financial information.

#### (a) *New and amended standards adopted by the Group*

Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in HKAS34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

(b) *Standards, amendments and interpretations to existing standards effective in 2011 but not relevant or have no material impact to the Group*

		<b>Effective for annual period beginning or after</b>
HKAS 24 (revised)	Related party disclosures	1 January 2011
HKAS 32 (amendment)	Classification of rights issue	1 February 2010
HK(IFRIC) — Int 14 (amendment)	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010

*Improvements to HKFRS published by HKICPA in May 2010:*

		<b>Effective for annual period beginning or after</b>
HKAS 1 (amendment)	Presentation of financial statements	1 January 2011
HKAS 27 (amendment)	Consolidated and separate financial statements	1 July 2010
HKFRS 1 (amendment)	First time adoption of HKFRS	1 January 2011
HKFRS 3 (revised)	Business combinations	1 July 2010
HKFRS 7 (amendment)	Financial instruments: disclosures	1 January 2011
HK(IFRIC) — Int 13 (amendment)	Customer loyalty programmes	1 January 2011

(c) *New standards, new interpretations and amendments to standards and interpretations issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted*

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 (revised)	Presentation of financial statements — presentation items of other comprehensive income	1 July 2012
HKAS 12 (amendment)	Deferred tax accounting for investment property at fair value	1 January 2012
HKAS 19 (revised)	Employee benefits	1 January 2013
HKAS 27	Separate financial statements	1 January 2013
HKAS 28	Investments in associates	1 January 2013
HKFRS 9	Financial instruments	1 January 2013
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of interests in other entities	1 January 2013
HKFRS 13	Fair value measurements	1 January 2013
HKFRS 1 (amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
HKFRS 7 (amendment)	Disclosures — Transfers of financial assets	1 July 2011

*Improvements to HKFRS published by HKICPA in May 2011:*

		<b>Effective for annual periods beginning on or after</b>
HKFRS 3 (amendment)	Business combinations	1 July 2011



The Group will apply these new standards and new interpretations in the period of initial application. The Group is currently assessing the impact of the adoption of the above new and revised standards, amendments and interpretations to existing standards, but not yet in a position to state whether they would have a significant impact to the Group's results of operations and its financial position.

### 3 SEGMENT INFORMATION

The chief operating decision-maker (the "CODM") has been identified collectively as the executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. The CODM has determined the operating segments based on these reports.

Management regularly reviews the operating results from a service category perspective. The reportable operating segments derive their revenue primarily from the hotel operations and provision of hotel consultancy services. The sales of hotel membership cards are included in the hotel operating segment.

Management assesses the performance of the operating segments based on the measure of operating (loss)/profit.

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2010 and 2011 is as follows:

	(Unaudited) Hotel Operations HK\$	(Unaudited) Provision of hotel consultancy services HK\$	(Unaudited) Total HK\$
<b>For six months ended 30 June 2011</b>			
Segment revenue and turnover	<u>13,535,370</u>	<u>—</u>	<u>13,535,370</u>
Segment results	<u>(2,943,871)</u>	<u>—</u>	<u>(2,943,871)</u>
Depreciation of property, plant and equipment	<u>(3,385,492)</u>	<u>—</u>	<u>(3,385,492)</u>
	(Unaudited) Hotel Operations HK\$	(Unaudited) Provision of hotel consultancy services HK\$	(Unaudited) Total HK\$
<b>For six months ended 30 June 2010</b>			
Segment revenue and turnover	<u>11,944,509</u>	<u>2,395,086</u>	<u>14,339,595</u>
Segment results	<u>1,063,695</u>	<u>1,359,411</u>	<u>2,423,106</u>
Depreciation of property, plant and equipment	<u>(3,131,551)</u>	<u>(52,960)</u>	<u>(3,184,511)</u>

A reconciliation of segment results to (loss)/profit before income tax is provided as follows:

	(Unaudited)	
	For six months ended 30 June	
	2011	2010
	<i>HK\$</i>	<i>HK\$</i>
Segment results	(2,943,871)	2,423,106
Finance income	29,910	26,176
Finance costs	(74,032)	(67,853)
	<u>(2,987,993)</u>	<u>2,381,429</u>

#### 4 OTHER OPERATING EXPENSES

Other operating expenses consisted of the following:

	(Unaudited)		(Unaudited)	
	For six months ended		For three months ended	
	30 June		30 June	
	2011	2010	2011	2010
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Auditor's remuneration	250,000	250,000	125,000	125,000
Property management fee	278,718	241,582	152,006	121,814
Consumables and laundries	454,867	333,836	198,394	166,485
Marketing and promotion	139,786	95,534	95,615	47,990
Telephone and communication	92,444	102,459	51,709	51,855
Repairs and maintenance	91,669	124,160	60,890	71,066
Office supplies	57,129	46,544	29,274	23,869
Sales commission	345,342	98,868	210,169	64,212
Listing expenses	2,307,772	—	2,307,772	—
Others	1,221,378	658,476	610,532	394,145
	<u>5,239,105</u>	<u>1,951,459</u>	<u>3,841,361</u>	<u>1,066,436</u>

#### 5 FINANCE COSTS — NET

	(Unaudited)		(Unaudited)	
	For six months ended		For three months ended	
	30 June		30 June	
	2011	2010	2011	2010
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Finance costs	(74,032)	(67,853)	(37,203)	(33,961)
Finance income	29,910	26,176	15,030	13,088
Finance costs — net	<u>(44,122)</u>	<u>(41,677)</u>	<u>(22,173)</u>	<u>(20,873)</u>

## 6 INCOME TAX EXPENSE

	(Unaudited) For six months ended 30 June		(Unaudited) For three months ended 30 June	
	2011	2010	2011	2010
	HK\$	HK\$	HK\$	HK\$
Current income tax				
Hong Kong profits tax	—	—	—	—
PRC corporate income tax	<u>381,261</u>	<u>704,903</u>	<u>188,855</u>	<u>734,161</u>
Income tax expenses	<u><b>381,261</b></u>	<u><b>704,903</b></u>	<u><b>188,855</b></u>	<u><b>734,161</b></u>

No provision for Hong Kong profits taxation has been made since the Group has no estimated assessable profit for the period.

The PRC corporate income tax is provided at the rate of 25% for the periods ended 30 June 2010 and 2011.

No provision for deferred taxation has been made since there is no material timing difference during the periods presented.

## 7 DIVIDEND

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2011 (2010: Nil).

## 8 (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earning per share attributable to equity holders of the Company is based on the following data:

	For six months ended 30 June		For three months ended 30 June	
	2011	2010	2011	2010
	HK\$	HK\$	HK\$	HK\$
(Loss)/profit attributable to equity holders of the Company	<u><b>(3,369,254)</b></u>	<u>1,497,156</u>	<u><b>(3,224,858)</b></u>	<u>1,653,495</u>

	For six months ended 30 June		For three months ended 30 June	
	2011	2010	2011	2010
	Shares	Shares	Shares	Shares
Number of shares	<u><b>135,000,001</b></u>	<u>135,000,001</u>	<u><b>135,000,001</b></u>	<u>135,000,001</u>

The number of ordinary shares for the purpose of calculating basic (loss)/earnings per share has been retrospectively adjusted for the capitalisation issue on 23 February 2011, 24 March 2011, 27 April 2001 and 19 June 2011 as disclosed in note 12 as if the shares had been in issue throughout both periods.

Diluted (loss)/earnings per share for both periods is the same as the basic (loss)/earnings per share as there was no dilutive potential shares for both periods.

## 9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired motor vehicle, equipment and leasehold improvement amounting to approximately HK\$715,000 (for the year ended 31 December 2010: approximately HK\$172,000).

## 10 TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

	(Unaudited) 30 June 2011 HK\$	(Audited) 31 December 2010 HK\$
Trade debtors	481,980	1,664,690
Prepayments and deposits	<u>6,396,313</u>	<u>3,631,886</u>
	6,878,293	5,296,576
Less: Non-current portion of deposits	<u>(1,012,122)</u>	<u>(934,358)</u>
Current portion	<u><u>5,866,171</u></u>	<u><u>4,362,218</u></u>

The aging analysis of the trade debtors based on overdue date is as follow:

	(Unaudited) 30 June 2011 HK\$	(Audited) 31 December 2010 HK\$
Neither past due nor impaired	<u>256,008</u>	<u>1,510,929</u>
0-30 days past due	154,862	134,184
31-60 days past due	3,937	1,116
61-90 days past due	24,649	—
Over 90 days past due	<u>42,524</u>	<u>18,461</u>
Past due but not impaired	<u>225,972</u>	<u>153,761</u>
	<u><u>481,980</u></u>	<u><u>1,664,690</u></u>

## 11 PREPAID OPERATING LEASE

Prepaid operating lease is recognised initially based on the difference between the fair value of rental deposits and the actual consideration paid for the rental deposits on the inception date of each lease agreement.

Amortisation of the prepaid operating lease is calculated on a straight-line basis over the period of the lease.

## 12 SHARE CAPITAL

	(Unaudited) 30 June 2011 HK\$	(Audited) 31 December 2010 HK\$
Balance at beginning of period/year	10,000	10,000
Elimination of share capital of combined subsidiaries upon group reorganisation	(10,000)	—
Issuance of shares	<u>1,350,001</u>	—
	<u><u>1,350,001</u></u>	<u><u>10,000</u></u>

On 23 February 2011, the Company was incorporated with an initial authorised share capital of HK\$390,000 divided into 39,000,000 shares with par value of HK\$0.01 each.

On the date of the incorporation, 1 ordinary share was issued to Mr. Fong, Man Kelvin (“Mr. Fong”).

On 23 March 2011, the authorised share capital of the Company was increased to HK\$7,800,000 representing 780,000,000 shares of HK\$0.01 each.

On 24 March 2011, Mr. Fong transferred his 100% equity interest in Lai Ying International Limited to Legend Strategy International Limited, a wholly owned subsidiary directly held by the Company. At the date of transfer, Lai Ying International Limited held 65% equity interest in Legend Strategy Limited. In return, the Company issued and allotted 87,750,000 new shares of HK\$0.01 each to Mr. Fong as consideration.

On 27 April 2011, each of the then shareholders of Triple Leaf Limited transferred to Legend Strategy International Limited its equity interest and shareholders’ loan to Triple Leaf Limited. At the date of transfer, Triple Leaf Limited held 14% equity interest in Legend Strategy Limited. In return, the Company issued and allotted a total of 18,900,000 new shares of HK\$0.01 each to the then shareholders of Triple Leaf Limited as consideration.

On 19 June 2011, each of the then shareholders of Legend Strategy Limited other than Legend Strategy International Limited transfers its equity interest which represented a totaling of 21% equity interest in Legend Strategy Limited to Legend Strategy International Limited. In return, the Company issued and allotted a total of 28,350,000 new shares of HK\$0.01 each to these shareholders as consideration.

### 13 RESERVES

	(Unaudited) Exchange Reserve <i>HK\$</i>	(Unaudited) Statutory Reserve <i>HK\$</i>	(Unaudited) Other Reserves <i>HK\$</i>	(Unaudited) Shareholder’s Contributions <i>HK\$</i>	(Unaudited) Accumulated Losses <i>HK\$</i>	(Unaudited) Total <i>HK\$</i>
At 1 January 2011	1,127,980	182,452	(588,549)	20,751,024	(6,197,791)	15,275,116
Total comprehensive loss for the period	190,101	—	—	—	(3,369,254)	(3,179,153)
Share issued ( <i>Note i</i> ) pursuant to group reorganisation	—	—	8,608,659	—	—	8,608,659
At 30 June 2011	<u>1,318,081</u>	<u>182,452</u>	<u>8,020,110</u>	<u>20,751,024</u>	<u>(9,567,045)</u>	<u>20,704,622</u>
At 1 January 2010	632,812	—	—	—	(15,200,541)	(14,567,729)
Total comprehensive income for the period	326,975	—	—	—	1,497,156	1,824,131
At 30 June 2010	<u>959,787</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(13,703,385)</u>	<u>(12,743,598)</u>

*Note (i):* The other reserves represent the difference between the nominal value of the issued capital of Legend Strategy Limited, Lai Ying International Limited and Triple Leaf Limited and the nominal value of the 135,000,001 shares issued and allotted to the above companies by the Company.

## 14 TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2011 HK\$	(Audited) 31 December 2010 HK\$
Trade payables	1,978,466	2,086,059
Accruals and other payables	4,420,303	5,564,552
	<u>6,398,769</u>	<u>7,650,611</u>

The aging analysis of trade payables based on the invoice date was as follows:

	(Unaudited) 30 June 2011 HK\$	(Audited) 31 December 2010 HK\$
0-30 days	917,488	1,594,482
31-60 days	623,248	251,823
61-90 days	437,730	97,367
Over 90 days	—	142,387
	<u>1,978,466</u>	<u>2,086,059</u>

## 15 PROVISION FOR ASSET RETIREMENT

Under the terms of the tenancy agreements signed with landlords, the Group shall vacate and re-instate the leased hotel premises at the Group's cost upon expiry of the relevant tenancy agreements in 8 to 10 years. Provision is therefore made for the best estimate of the expected reinstatement costs to be incurred. Movements of provision for asset retirement are as follows:

	(Unaudited) 2011 HK\$	(Audited) 2010 HK\$
At 1 January	3,010,390	2,774,655
Finance cost on asset retirement obligations	74,032	135,844
Exchange differences	70,024	99,891
At 30 June/31 December	<u>3,154,446</u>	<u>3,010,390</u>

## 16 OPERATING LEASE COMMITMENTS

The Group leases various hotel premises under non-cancellable operating lease agreements. The leases have escalation clauses and renewal rights.

The future aggregate minimum lease payments are as follows:

	(Unaudited) 30 June 2011 HK\$	(Audited) 31 December 2010 HK\$
No later than 1 year	8,860,910	8,595,814
Later than 1 year and no later than 5 years	28,995,140	30,484,373
Over 5 years	4,370,202	5,569,014
	<u>42,226,252</u>	<u>44,649,201</u>

## 17 CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 31 December 2010 and 30 June 2011.

## 18 RELATED PARTIES TRANSACTIONS

The Group had the following significant transactions with the related party during the period:

	(Unaudited) For six months ended 30 June 2011 HK\$	2010 HK\$
Expenses paid by a director on behalf of the Group — Mr. Fong	<u>—</u>	<u>325,034</u>

Period-end balance with related party:

	(Unaudited) 30 June 2011 HK\$	(Audited) 31 December 2010 HK\$
Amount due to a director — Mr. Fong	<u>—</u>	<u>1,338,103</u>

## 19 EVENTS AFTER THE REPORTING PERIOD

The following events occurred subsequent to 30 June 2011 to the date of approval of these condensed consolidated financial information by the Board of Directors:

- (i) The Company was successfully listed on the GEM of the Stock Exchange on 15 July 2011.
- (ii) The Group paid HK\$10 million to an independent third party in July 2011 regarding to the undertaking fee of Fujian Hotel. In addition, approximately HK\$2 million regarding hotel renovation in Fujian Hotel was paid to an independent contractor for renovation and leasehold improvement in July 2011.
- (iii) The Group paid HK\$5 million refundable deposit for leasehold improvement and renovation to an independent contractor in July 2011 for hotel project.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

The Group incurred a net loss of HK\$3,369,254 during the six months ended 30 June 2011 in contrast to net profit of HK\$1,676,526 for the same period of last financial year. The net loss was mainly due to non-recurring expenses in relation to the listing on the GEM of the Stock Exchange and the Group has not recognized any revenue from the provision of hotel consultancy services for the first half of 2011.

#### Hotel operation

The Group currently operates four leased-and-operated hotels, namely Welcome Inn Nanshan, Welcome Inn Baoan, Welcome Inn Luohu and Welcome Inn Caitian, all strategically located in Shenzhen City, the PRC (the “Hotels”). Revenue from hotel operation reached HK\$13,535,370 during the six months ended 30 June 2011, up 13.32% as compared to revenue of HK\$11,944,509 for the same period of last financial year. Revenue increased was driven by improvements of average room rate and occupancy of Welcome Inn Luohu, which in turn benefited from the increase of average room rate and enhancing the awareness of the brand name “Welcome Inn” in Luohu District.

The following table shows the key information of each of the Group’s leased-and-operated hotels for the six months ended 30 June 2010 and 2011:

	Six months ended 30 June		
	2011	2010	% change
<b>Welcome Inn Nanshan</b>			
Total available room nights	<b>33,903</b>	33,279	1.9%
Occupancy	<b>74%</b>	81%	-8.6%
ARR (RMB)*	<b>189.1</b>	197.9	-4.4%
RevPAR (RMB) <sup>Δ</sup>	<b>140.0</b>	160.6	-12.8%
<b>Welcome Inn Caitian</b>			
Total available room nights	<b>15,366</b>	15,534	-1.1%
Occupancy	<b>80%</b>	93%	-14%
ARR (RMB)*	<b>194.4</b>	188.7	3.0%
RevPAR (RMB) <sup>Δ</sup>	<b>156.1</b>	175.9	-11.3%
<b>Welcome Inn Baoan</b>			
Total available room nights	<b>10,623</b>	10,496	1.2%
Occupancy	<b>80%</b>	88%	-9.1%
ARR (RMB)*	<b>130.6</b>	122.3	6.8%
RevPAR (RMB) <sup>Δ</sup>	<b>104.5</b>	107.0	-2.3%
<b>Welcome Inn Luohu</b>			
Total available room nights	<b>14,437</b>	14,150	2.0%
Occupancy	<b>90%</b>	80%	12.5%
ARR (RMB)*	<b>186.1</b>	170.5	9.1%
RevPAR (RMB) <sup>Δ</sup>	<b>168.0</b>	136.6	23.0%
<b>Total</b>			
Total available room nights	<b>74,329</b>	73,459	1.2%
Occupancy	<b>79%</b>	84%	-6.0%
ARR (RMB)	<b>181.2</b>	179.7	0.8%
RevPAR (RMB)	<b>143.7</b>	151.6	-5.2%

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

<sup>Δ</sup> RevPAR: the room revenue of a hotel divided by the total available room nights

## FINANCIAL REVIEW

The total operating costs increased by HK\$4,562,752, or approximately 38.3%, from HK\$11,916,489 for the first six months ended 30 June 2010 to HK\$16,479,241 for the same period of this financial year, attributable primarily to the increase in employee benefit expenses due to the increase in minimum rate of wages and the one-off charge of HK\$2,307,772 listing expenses. Excluding this one-off charge, the total operating costs would have been HK\$14,171,469, increased by only HK\$2,254,980 or approximately 18.9%, compared to the same period of last financial year.

The following table shows the total operating costs for the six months ended 30 June 2010 and 2011:

	<b>2011</b> <i>HK\$</i>	2010 <i>HK\$</i>	% change
Operating lease expenses	<b>4,526,612</b>	4,250,397	6.5%
Depreciation of property, plant and equipment	<b>3,385,492</b>	3,184,511	6.3%
Employee benefit expenses	<b>2,648,129</b>	1,922,286	37.8%
Utilities	<b>679,903</b>	607,836	11.9%
Listing expenses	<b>2,307,772</b>	—	N/A
Other operating expenses	<b>2,931,333</b>	1,951,459	50.2%
	<b><u>16,479,241</u></b>	<b><u>11,916,489</u></b>	<b><u>38.3%</u></b>

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the six months ended 30 June 2011, the Group mainly financed its operations with its own working capital.

As at 30 June 2011, the Group had net current assets of approximately HK\$330,000 (31 December 2010: net current liabilities of approximately HK\$8,677,000), including cash and cash equivalents of approximately HK\$1,821,000 (31 December 2010: approximately HK\$264,000).

As at 30 June 2011, the Group's gearing ratio represented by dividing the total liabilities as a percentage of the Group's total assets amounted to approximately 32.3% (31 December 2010: approximately 51.6%).

## OUTLOOK

Shenzhen City will host the 26th Summer World Universiade during second half of 2011 (the "Universiade"). The Group expects that the Universiade will bring over tourists, workers, volunteers, athletes and supporters from over 150 countries to Shenzhen City and give a strong growth in occupancy and room rate for the Hotels for the second half of 2011.

For hotel operation, the Group will continue to forge and strengthen strategic relationships with strategic partners and to enhance the awareness of the brand name "Welcome Inn" in the PRC. For hotel consultancy business, the Group will continue to expand its network by participating in tradeshows, exhibitions and special public relation activities to promote its hotel consultancy business in the PRC.

## **CORPORATE GOVERNANCE**

The Group had complied with the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 June 2011.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Group had adopted Rules 5.48 to Rules 5.67 of the GEM Listing Rules (“Model Code”) as its own code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings. Having made specific enquiry to all the Directors, all the Directors confirmed that they had throughout the six months ended 30 June 2011 complied with the required standard of dealings as set out in the Model Code.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the listed securities of the Company during the six months ended 30 June 2011.

Neither the Company nor any of its subsidiaries had issued or granted any convertible securities, options, warrants or similar rights or exercise any conversion or subscription rights under any convertible securities, options, warrants or similar rights during the six months ended 30 June 2011.

## **AUDIT COMMITTEE REVIEW**

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

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the unaudited interim financial results for the six months ended 30 June 2011.

## **COMPETING BUSINESS**

None of the Directors is or was interested in any business apart from the Group’s business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group’s business at any time during the six months ended 30 June 2011 and up to and including the date of this announcement.

## **COMPLIANCE ADVISER**

As updated and notified by the Company’s compliance adviser, Quam Capital Limited (“Quam Capital”), none of Quam Capital, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interest in the share capital of the Company as at 30 June 2011 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to the agreement dated 15 July 2011 entered into between Quam Capital and the Company, Quam Capital received and will receive fees for acting as the compliance adviser of the Company.

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

As the shares of the Company were listed on the GEM of the Stock Exchange on 15 July 2011, as at 30 June 2011, none of the Directors who had an interest and short position in shares, underlying shares or debenture of the Company and its associated corporation (with the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) was required (a) to notify to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to notify the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors referred to in Rule 5.46 of the GEM Listing Rules.

Immediately following completion of the Placing (as defined in the Prospectus) on 15 July 2011, the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to notify the Company and the Stock Exchange pursuant to Rules 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, will be as follows:

### Long positions in shares of the Company

Name	Capacity	Number of shares	Percentage of shareholding
Mr. Fong, Man Kelvin (Note 1)	Beneficial Owner	99,759,466	55.4%
Mr. De Weyer, Daniel Ludovicus Joannes (Note 2)	Beneficial Owner	10,523,655	5.8%

#### Notes:

1. Ms. Wong Pit Lai, Vera is the spouse of Mr. Fong. Therefore, Ms. Wong Pit Lai Vera is deemed to be interested in the 99,759,466 shares in which Mr. Fong is interested for the purpose of the SFO.
2. Ms. Makoto Nishimura is the spouse of Mr. De Weyer, Daniel Ludovicus Joannes. Therefore, Ms. Makoto Nishimura is deemed to be interested in the 10,523,655 shares in which Mr. De Weyer, Daniel Ludovicus Joannes is interested for the purpose of the SFO.

Saved as disclosed above, immediately after completion of the Placing on 15 July 2011, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

As the shares of the Company were listed on the GEM of the Stock Exchange on 15 July 2011, as at 30 June 2011, no person or company (not being a director, chief executive or supervisor of the Company) had any interests and/or short positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO.

So far as the Directors are aware, immediately following the completion of the Placing on 15 July 2011, other than a Director or chief executive of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares or debentures" above, the following person will have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and who are expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

### Long positions in shares of the Company

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Qiu Dai Lun ( <i>Note 1</i> )	Beneficial Owner	10,800,000	6.0%

*Note:*

1. Ms. Cheng Xiaomin is the spouse of Mr. Qiu Dai Lun. Therefore, Ms. Cheng Xiaomin is deemed to be interested in the 10,800,000 shares in which Mr. Qiu Dai Lun is interested for the purpose of the SFO.

Saved as disclosed above, immediately after completion of the Placing on 15 July 2011, the Directors were not aware of any other person (other than the Directors or chief executive as disclosed in the paragraph headed "Directors' and chief executive's interests and short positions in the shares, underlying shares or debentures" above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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

Hong Kong, 5 August 2011

*As at the date of this announcement, the executive Directors are Mr. Fong, Man Kelvin and Mr. Wong, William, the non-executive Director is Mr. De Weyer, Daniel Ludovicus Joannes, and the independent non-executive Directors are Dr. Wong, Hak Kun Jerry, Mr. Tam, Kwok Ming Banny and Mr. Tsoi, Wing Sum.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM Website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting. This announcement will also be published on the Company's website at [www.legendstrategy.com](http://www.legendstrategy.com).*