



**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 2012**

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

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

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

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*This announcement, for which the directors (the “Directors”) of Legend Strategy International Holdings Group Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## INTERIM RESULTS

The board of directors (the “Board”) of Legend Strategy International Holdings Group Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012 together with the comparative unaudited figures for the corresponding periods in 2011 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	(Unaudited) For six months ended 30 June		(Unaudited) For three months ended 30 June	
		2012 <i>HK\$</i>	2011 <i>HK\$</i>	2012 <i>HK\$</i>	2011 <i>HK\$</i>
Revenue		<b>32,328,414</b>	13,535,370	<b>20,454,605</b>	6,805,293
Operating lease expenses		<b>(5,174,562)</b>	(4,526,612)	<b>(2,585,271)</b>	(2,364,025)
Depreciation of property, plant and equipment		<b>(4,435,175)</b>	(3,385,492)	<b>(2,238,648)</b>	(1,702,268)
Employee benefit expenses		<b>(4,478,580)</b>	(2,648,129)	<b>(2,051,576)</b>	(1,537,062)
Utilities		<b>(715,262)</b>	(679,903)	<b>(365,098)</b>	(374,407)
Other operating expenses	4	<b>(5,476,920)</b>	(5,239,105)	<b>(2,490,760)</b>	(3,841,361)
Operating profit/(loss)		<b>12,047,915</b>	(2,943,871)	<b>10,723,252</b>	(3,013,830)
Finance income		<b>31,283</b>	29,910	<b>15,450</b>	15,030
Finance cost		<b>(97,812)</b>	(74,032)	<b>(51,022)</b>	(37,203)
Finance cost — net	5	<b>(66,529)</b>	(44,122)	<b>(35,572)</b>	(22,173)
Profit/(loss) before income tax		<b>11,981,386</b>	(2,987,993)	<b>10,687,680</b>	(3,036,003)
Income tax expenses	6	<b>(3,630,230)</b>	(381,261)	<b>(2,586,047)</b>	(188,855)
Profit/(loss) for the period		<b><u>8,351,156</u></b>	<b><u>(3,369,254)</u></b>	<b><u>8,101,633</u></b>	<b><u>(3,224,858)</u></b>
Attributable to:					
Owners of the Company		<b><u>8,351,156</u></b>	<b><u>(3,369,254)</u></b>	<b><u>8,101,633</u></b>	<b><u>(3,224,858)</u></b>
Dividend		<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
Basic and diluted earnings/(loss) per share (HK\$cents)		<b><u>4.64</u></b>	<b><u>(2.50)</u></b>	<b><u>4.50</u></b>	<b><u>(2.39)</u></b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)		(Unaudited)	
	For six months ended		For three months ended	
	30 June		30 June	
	2012	2011	2012	2011
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Profit/(loss) for the period	8,351,156	(3,369,254)	8,101,633	(3,224,858)
Other comprehensive income/(loss):				
Currency translation differences	129,416	190,101	(8,860)	76,877
Fair value changes on available-for-sale investments	(72,500)	—	(72,500)	—
	<u>8,408,072</u>	<u>(3,179,153)</u>	<u>8,020,273</u>	<u>(3,147,981)</u>
Total comprehensive income/(loss) for the period	<u>8,408,072</u>	<u>(3,179,153)</u>	<u>8,020,273</u>	<u>(3,147,981)</u>
Attributable to:				
Owners of the Company	<u>8,408,072</u>	<u>(3,179,153)</u>	<u>8,020,273</u>	<u>(3,147,981)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 June 2012	(Audited) 31 December 2011
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		25,226,932	28,994,945
Prepayment for property, plant and equipment	9	18,023,896	5,000,000
Rental deposits	9	1,248,243	1,212,228
Prepaid operating lease	10	11,264,905	11,722,821
Interests in jointly controlled entities		9,503,801	9,503,801
Available for sales — securities		911,500	—
Deferred income tax assets		1,788,265	1,788,265
		<b>67,967,542</b>	58,222,060
<b>Current assets</b>			
Trade debtors and other receivables	9	34,621,259	32,773,728
Cash and cash equivalents		19,901,637	16,150,556
		<b>54,522,896</b>	48,924,284
<b>Total assets</b>		<b>122,490,438</b>	107,146,344
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	11	1,800,001	1,800,001
Reserves	12	92,373,485	83,741,413
<b>Total equity</b>		<b>94,173,486</b>	85,541,414
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Provision for asset retirement	14	3,371,428	3,278,455
Finance lease liabilities		1,127,291	1,301,638
		<b>4,498,719</b>	4,580,093
<b>Current liabilities</b>			
Trade and other payables	13	11,349,396	8,217,551
Amount due to a director	18	582,031	582,031
Current income tax liabilities		11,497,602	7,836,051
Finance lease liabilities		389,204	389,204
		<b>23,818,233</b>	17,024,837

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>(Unaudited)</b> <b>30 June 2012</b> <i>HK\$</i>	<b>(Audited)</b> 31 December 2011 <i>HK\$</i>
<b>Total liabilities</b>	<u>28,316,952</u>	<u>21,604,930</u>
<b>Total equity and liabilities</b>	<u><u>122,490,438</u></u>	<u><u>107,146,344</u></u>
<b>Net current assets</b>	<u><u>30,704,663</u></u>	<u><u>31,899,447</u></u>
<b>Total assets less current liabilities</b>	<u><u>98,672,205</u></u>	<u><u>90,121,507</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Issued equity HK\$	Reserves HK\$	Total HK\$
Balance at 1 January 2011 (audited)	10,000	15,275,116	15,285,116
Loss for the period	—	(3,369,254)	(3,369,254)
Other comprehensive income:			
Currency translation differences	—	190,101	190,101
Total comprehensive loss for the period	—	(3,179,153)	(3,179,153)
Share swap pursuant to group reorganization	—	8,608,659	8,608,659
Elimination of share capital of combined subsidiaries upon group reorganisation	(10,000)	—	(10,000)
Issuance of shares	1,350,001	—	1,350,001
Transactions with equity holders	1,340,001	8,608,659	9,948,660
Balance at 30 June 2011 (unaudited)	<u>1,350,001</u>	<u>20,704,622</u>	<u>22,054,623</u>
Balance at 1 January 2012 (audited)	<u>1,800,001</u>	<u>83,741,413</u>	<u>85,541,414</u>
Profit for the period	—	8,351,156	8,351,156
Other comprehensive income:			
Currency translation differences	—	129,416	129,416
Fair value changes on available-for-sale investments	—	(72,500)	(72,500)
Total comprehensive income for the period	—	8,408,072	8,408,072
Employee share option benefit	—	224,000	224,000
Balance at 30 June 2012 (unaudited)	<u>1,800,001</u>	<u>92,373,485</u>	<u>94,173,486</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	For six months ended	
	30 June	
	2012	2011
	<i>HK\$</i>	<i>HK\$</i>
Net cash inflow/(outflow) from operating activities	13,781,402	(7,721,742)
Net cash outflow from investing activities	(9,603,450)	(714,577)
Net cash (outflow)/inflow from financing activities	(229,298)	9,990,000
Increase in cash and cash equivalents	3,948,654	1,553,681
Cash and cash equivalents at the beginning of period	16,150,556	263,590
Effect of exchange rate changes	(197,573)	4,194
Cash and cash equivalents at the end of period	<u>19,901,637</u>	<u>1,821,465</u>
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	<u>19,901,637</u>	<u>1,821,465</u>

## NOTES TO THE FINANCIAL INFORMATION

### 1 GENERAL INFORMATION

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

The Company is an investment holding company and its subsidiaries are principally engaged in the budget hotel operations 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.

### 2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 30 June 2012 has been prepared in accordance with HKAS 34, "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with HKFRSs.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) New, revised and amended standards and interpretations to existing standards effective in 2012

The Company has adopted the following new, revised and amended standards and interpretations to existing standards that have been issued and are effective for the Company's financial year commencing on 1 January 2012:

HKAS 24 (Revised)	Related party disclosures
HKAS 32 (Amendment)	Classification of rights issue
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a minimum funding requirement

Various improvements to HKFRSs published by the HKICPA in May 2010

The adoption of the new HKFRSs did not result in substantial changes to the accounting policies of the Company and had no material effect on how the results and financial positions for the current or prior accounting periods have been prepared and presented.



**(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:**

The following new, revised and amended standards and interpretation to existing standard have been issued, but not effective for the financial year beginning 1 January 2012 and have not been early adopted by the Company:

		<b>Effective for accounting periods beginning on or after</b>
HKFRS 7 (Amendment)	Transfers of financial assets	1 July 2011
HKFRS 7 (Amendment)	Disclosures — Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 9 (Amendment)	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosures of Interest in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 19 (2011)	Employee Benefit	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendment)	Presentation — Offsetting Financial Assets and Financial Liabilities	1 January 2014
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

The Company has already commenced an assessment of the impact of the above new, revised and amended standards and interpretation to existing standard but is not yet in a position to state whether these new, revised and amended standards and interpretation to existing standard would have a significant impact to its results of operations and 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 profit/(loss).

The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2011 and 2012 is as follows:

	<b>Hotel operations</b> <i>HK\$</i>	<b>Provision of hotel consultancy services</b> <i>HK\$</i>	<b>Total</b> <i>HK\$</i>
<b>For six months ended 30 June 2012 (unaudited)</b>			
Segment revenue	<u>13,246,332</u>	<u>19,082,082</u>	<u>32,328,414</u>
Segment results	<u>(311,719)</u>	<u>12,359,634</u>	<u>12,047,915</u>
Depreciation of property, plant and equipment	<u>(4,145,613)</u>	<u>(289,562)</u>	<u>(4,435,175)</u>
<b>For six months ended 30 June 2011 (unaudited)</b>			
Segment revenue	<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>

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

	<b>(Unaudited)</b> <b>For six months ended</b> <b>30 June</b>	
	<b>2012</b> <i>HK\$</i>	<b>2011</b> <i>HK\$</i>
Segment results	<b>12,047,915</b>	(2,943,871)
Finance income	<b>31,283</b>	29,910
Finance cost	<b>(97,812)</b>	(74,032)
Profit/(loss) before income tax	<u><b>11,981,386</b></u>	<u>(2,987,993)</u>

#### 4 OTHER OPERATING EXPENSES

	(Unaudited)		(Unaudited)	
	For six months ended		For three months ended	
	30 June		30 June	
	2012	2011	2012	2011
	HK\$	HK\$	HK\$	HK\$
Auditor's remuneration	730,000	250,000	480,000	125,000
Property management fee	322,576	278,718	151,774	152,006
Consumables and laundries	402,592	454,867	127,631	198,394
Legal and professional fee	412,128	—	173,192	—
Marketing and promotion	1,694,786	139,786	815,226	95,615
Telephone and communication	144,990	92,444	74,702	51,709
Repairs and maintenance	106,480	91,669	32,091	60,890
Office supplies	113,396	57,129	46,867	29,274
Sales commission	247,095	345,342	121,433	210,169
Share-based payments expenses	224,000	—	—	—
Listing expenses	—	2,307,772	—	2,307,772
Others	1,078,877	1,221,378	467,844	610,532
	<u>5,476,920</u>	<u>5,239,105</u>	<u>2,490,760</u>	<u>3,841,361</u>

#### 5 FINANCE COST — NET

	(Unaudited)		(Unaudited)	
	For six months ended		For three months ended	
	30 June		30 June	
	2012	2011	2012	2011
	HK\$	HK\$	HK\$	HK\$
Finance cost	(97,812)	(74,032)	(51,022)	(37,203)
Finance income	31,283	29,910	15,450	15,030
Finance cost — net	<u>(66,529)</u>	<u>(44,122)</u>	<u>(35,572)</u>	<u>(22,173)</u>

## 6 INCOME TAX EXPENSE

	(Unaudited)		(Unaudited)	
	For six months ended		For three months ended	
	30 June		30 June	
	2012	2011	2012	2011
	HK\$	HK\$	HK\$	HK\$
Current income tax				
Hong Kong profits tax	3,554,992	—	2,521,905	—
PRC corporate income tax	75,238	381,261	64,142	188,855
	<u>3,630,230</u>	<u>381,261</u>	<u>2,586,047</u>	<u>188,855</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the periods ended 30 June 2011 and 2012.

The PRC corporate income tax is provided at the rate of 25% for the periods ended 30 June 2011 and 2012.

No provision for deferred taxation has been made in the financial statements since there is no material timing difference.

## 7 DIVIDEND

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2012 (2011: nil).

## 8 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share for the six months ended 30 June 2012 is based on the profit/(loss) attributable to equity holders of the Company of HK\$8,351,156 (2011: HK\$(3,369,254)) and the weighted average of 180,000,001 ordinary shares (2011: 135,000,001 ordinary shares) in issue during the six months ended 30 June 2012.

The number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the capitalisation issue on 23 February 2011, 24 March 2011, 27 April 2011 and 19 June 2011 as if the shares had been in issue throughout the six months ended 30 June 2011.

In respect of the diluted earnings per share amounts presented, no adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2012 as the impact of the share options during the period had an anti-dilutive effect on the basic earnings per share amounts presented.

Diluted loss per share for the six months ended 30 June 2011 is the same as the basic loss per share as there was no dilutive potential shares for the period.

## 9 TRADE DEBTORS, PREPAYMENTS AND DEPOSITS

	(Unaudited) 30 June 2012 HK\$	(Audited) 31 December 2011 HK\$
Trade debtors	30,023,634	28,048,035
Prepayments, deposits and other receivables	23,869,764	10,937,921
	<u>53,893,398</u>	<u>38,985,956</u>
Less: Non-current portion of deposits	(1,248,243)	(1,212,228)
Less: Non-current portion of property, plant and equipment	(18,023,896)	(5,000,000)
Current portion	<u><u>34,621,259</u></u>	<u><u>32,773,728</u></u>

The carrying amounts of the Group's trade debtors, prepayments and deposits approximate their fair values.

The aging analysis of the trade debtors is as follow:

	(Unaudited) 30 June 2012 HK\$	(Audited) 31 December 2011 HK\$
Neither past due nor impaired	10,724,401	25,918,646
0-30 days past due	67,975	1,411,770
31-60 days past due	3,716,605	647,308
61-90 days past due	5,639,779	3,058
Over 90 days past due	9,874,874	67,253
Past due but not impaired	<u>19,299,233</u>	<u>2,129,389</u>
Current portion	<u><u>30,023,634</u></u>	<u><u>28,048,035</u></u>

The credit quality of trade debtors that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. All debtors are existing customers (more than 6 months) with no defaults in the past.

Trade debtors that were past due but not impaired relate to customers that have a good track record with the Group or a sound credit quality. Based on past experience and regular credit risk assessment performed on all significant outstanding trade receivables, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The maximum exposure to credit risk at the reporting date during the Track Record Period is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral over these balances.

The carrying amounts of the Group's trade debtors, prepayments and deposits are denominated in the following currencies:

	(Unaudited) 30 June 2012 <i>HK\$</i>	(Audited) 31 December 2011 <i>HK\$</i>
Renminbi	35,606,408	32,006,711
Hong Kong dollar	18,286,990	6,979,245
	<u>53,893,398</u>	<u>38,985,956</u>

## 10 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.

## 11 SHARE CAPITAL

	(Unaudited) 30 June 2012 <i>Number of shares</i>	(Audited) 31 December 2011 <i>Number of shares</i>
Balance at beginning of period/year	180,000,001	1
Share swaps	—	135,000,000
Issue of shares by way of placing	—	45,000,000
	<u>180,000,001</u>	<u>180,000,001</u>

The Company was incorporated in the Cayman Islands on 23 February 2011 with an authorised share capital of HK\$390,000 divided into 39,000,000 shares at par of HK\$0.01 each. Upon incorporation, 1 share was allotted and issued at fully paid to the initial subscriber on 23 February 2011.

On 1 March 2011, the shareholders of Legend Strategy have injected share capital of HK\$9,990,000 as paid-up capital and the issued capital of Legend Strategy increased from HK\$10,000 to HK\$10,000,000.

On 23 March 2011, the authorised share capital of the Company was increased from HK\$390,000 to HK\$7,800,000 by the creation of an additional 741,000,000 shares of HK\$0.01 each.

In consideration of the share swaps following reorganisation step for listing on the GEM of The Stock Exchange of Hong Kong Limited, 135,000,000 shares of HK\$0.01 each were allotted and issued by the Company at par to the then shareholder of Legend Strategy, credited as fully paid.

In connection with the placing of shares of the Company, an aggregate of 45,000,000 new ordinary shares of HK\$0.01 each were issued at a price of HK\$1.20 per share for a total cash consideration of HK\$54,000,000, net of issuance costs of HK\$15,519,756.

## 12 RESERVES

	Share premium <i>HK\$</i>	Exchange reserve <i>HK\$</i>	Statutory reserve <i>HK\$</i>	Share options reserve <i>HK\$</i>	Other Reserve <i>HK\$</i>	Available for-sale fair value reserve <i>HK\$</i>	Shareholder's Contributions <i>HK\$</i>	Retained earnings/ (accumulated losses) <i>HK\$</i>	Total <i>HK\$</i>
At 1 January 2012 (audited)	38,030,244	1,690,691	500,000	—	8,020,110	—	20,751,024	14,749,344	83,741,413
Total comprehensive income for the period	—	129,416	—	—	—	(72,500)	—	8,351,156	8,408,072
Employee share option benefit	—	—	—	224,000	—	—	—	—	224,000
At 30 June 2012 (unaudited)	<u>38,030,244</u>	<u>1,820,107</u>	<u>500,000</u>	<u>224,000</u>	<u>8,020,110</u>	<u>(72,500)</u>	<u>20,751,024</u>	<u>23,100,500</u>	<u>92,373,485</u>
At 1 January 2011 (audited)	—	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 pursuant to group reorganization	—	—	—	—	8,608,659	—	—	—	8,608,659
At 30 June 2011 (unaudited)	<u>—</u>	<u>1,318,081</u>	<u>182,452</u>	<u>—</u>	<u>8,020,110</u>	<u>—</u>	<u>20,751,024</u>	<u>(9,567,045)</u>	<u>20,704,622</u>

## 13 TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2012 <i>HK\$</i>	(Audited) 31 December 2011 <i>HK\$</i>
Trade payables	2,984,174	2,583,726
Accruals	305,761	3,124,164
Other payables	8,059,461	2,509,661
	<u>11,349,396</u>	<u>8,217,551</u>

The carrying amounts of the Group's trade and other payables approximate their fair values.

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

	(Unaudited) 30 June 2012 <i>HK\$</i>	(Audited) 31 December 2011 <i>HK\$</i>
0-30 days	1,153,606	879,626
31-60 days	793,019	812,063
61-90 days	640,390	664,430
Over 90 days	397,159	227,607
	<u>2,984,174</u>	<u>2,583,726</u>

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	(Unaudited) 30 June 2012 <i>HK\$</i>	(Audited) 31 December 2011 <i>HK\$</i>
Renminbi	8,079,647	7,202,795
Hong Kong dollar	3,269,749	1,014,756
	<u>11,349,396</u>	<u>8,217,551</u>

#### 14 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) 30 June 2012 <i>HK\$</i>	(Audited) 31 December 2011 <i>HK\$</i>
At 1 January	3,278,455	3,010,390
Finance cost on asset retirement obligations	76,434	149,941
Exchange differences	16,539	118,124
	<u>3,371,428</u>	<u>3,278,455</u>



## 15 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 2012 <i>HK\$</i>	(Audited) 31 December 2011 <i>HK\$</i>
No later than 1 year	11,601,569	11,613,064
Later than 1 year and no later than 5 years	26,438,652	30,369,053
Over 5 years	1,740,547	586,799
	<u>39,780,768</u>	<u>42,568,916</u>

## 16 CAPITAL COMMITMENT

The Group's capital expenditure at the end of the reporting period but not yet incurred is as follows:

	(Unaudited) 30 June 2012 <i>HK\$</i>	(Audited) 31 December 2011 <i>HK\$</i>
Contracted but not provided for: — Capital injection to jointly controlled entities	<u>3,852,618</u>	<u>3,852,618</u>

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

	(Unaudited) 30 June 2012 <i>HK\$</i>	(Audited) 31 December 2011 <i>HK\$</i>
Contracted but not provided for: — Property, plant and equipment	<u>11,444,319</u>	<u>7,338,552</u>

## 17 CONTINGENT LIABILITIES

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

## 18 RELATED PARTIES TRANSACTIONS

Transactions between the companies comprising the Group have been eliminated on combination and are not disclosed. Details of transaction between the Group and the related party are disclosed below.

Period-end balance with related party:

	<b>(Unaudited)</b> <b>30 June 2012</b> <i>HK\$</i>	<b>(Audited)</b> 31 December 2011 <i>HK\$</i>
Amount due to a director		
— Mr. Fong	<b><u>582,031</u></b>	<b><u>582,031</u></b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

The Group has a net profit of HK\$8,351,156 for the six months ended 30 June 2012 in contrast to a net loss of HK\$3,369,254 for the same period of last financial year. The net profit was mainly due to the recognition of revenues generated from the provision of hotel consultancy services for the first half of 2012.

### Hotel Operation

The Group currently operates five leased-and-operated hotels. Revenue from hotel operations segment reached HK\$13,246,332 during the six months ended 30 June 2012, representing a slight decrease of 2% compared to revenue of HK\$13,535,370 for the same period of last financial year. Average room revenue increased by an average of approximately 3% per hotel. But the overall average occupancy rate decreased by 6% compared to the same period of last year, which was mainly due to renovation and facility improvement of hotels, therefore the total revenue was slightly affected.

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

	For six months ended 30 June	
	2012	2011
Total available room nights	<b>73,413</b>	74,329
Occupancy	<b>73%</b>	79%
ARR (RMB) *	<b>186.2</b>	181.2
RevPAR (RMB) <sup>Δ</sup>	<b>135.7</b>	143.7

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

<sup>Δ</sup> RevPAR: The average room revenue of all hotels divided by the total available room nights

### Hotel Consultancy Services

Revenue from hotel consultancy services was HK\$19,082,082 during the six months ended 30 June 2012, comparatively, there was no turnover recorded in the same period of last financial year. During the six months ended 30 June 2012, the Group had entered into seven hotel consultancy agreements for the provision of hotel consultancy services. The Group had recognized more than 80% of the consultancy fee as revenues according to the stage of completion. The recognition of revenue is according to the completion progress of hotel consultancy services contracts, services were rendered in the areas of hotel interior design, construction contractor selection, renovation and hotel management.

## FINANCIAL REVIEW

During the six months ended 30 June 2012, the total operating costs was HK\$20,280,499, increased by HK\$3,801,258 or an increase of approximately 23.1% compared with HK\$16,479,241 for the same period of last financial year. The increase is primarily attributable to the increase in employee benefit expenses after the Company expanding its hotel management and hotel operation team for business operation, which increased by HK\$1,830,451 or approximately 69.1% as compared to the same period of last year. The other reason for increase of operation costs is due to the increase in depreciation of property, plant and equipment, there were repair and renovation works done in the leased-and-operated hotels for the first half of 2012, the total depreciation expenses increased by HK\$1,049,683 or approximately 31.0% compared to the same period of last financial year.

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

	For six months ended 30 June		% of change
	2012 HK\$	2011 HK\$	
Operating lease expenses	5,174,562	4,526,612	14.3%
Depreciation of property, plant and equipment	4,435,175	3,385,492	31.0%
Employee benefit expenses	4,478,580	2,648,129	69.1%
Utilities	715,262	679,903	5.2%
Other operating expenses	5,476,920	5,239,105	4.5%
	<u>20,280,499</u>	<u>16,479,241</u>	<u>23.1%</u>

## Liquidity, Financial Resources and Capital Structure

During the six months ended 30 June 2012, the Group mainly financed its operations and expansion with its own working capital generated internally and the proceeds from the Placing.

As at 30 June 2012, the Group had net current assets of HK\$30,704,663 (31 December 2011 audited: net current assets of HK\$31,899,447), including cash and cash equivalents of approximately HK\$19,901,637 (31 December 2011 audited: HK\$16,150,556).

Gearing ratio is defined as net debt (represented by bank borrowings including finance lease obligation net of cash and cash equivalents) divided by shareholders' equity. As at 30 June 2012, the Group maintained net cash position. Hence, no gearing ratio is presented.

## OUTLOOK

As disclosed in the announcement of the Group dated 22 December 2011, the Group entered into a joint venture agreement with First Creation Investment Limited to establish two jointly controlled hotels in Sanya, the PRC. The Sanya WelcomeInn Waterfront Hotel is expected to commence operation in 3rd quarter of 2012 and the Sanya WelcomeInn Jinhua Hotel is expected to commence operation in 4th quarter of 2012.

The Group will continue to expand its hotel business in the PRC with focus on the Southern China, in particular, Guangdong Province in the next two to three years. Reference is made the Prospectus, it was stated among others, in the Prospectus that approximately HK\$12.0 million of the net proceeds from the Placing will be used for capital expenditures and expenses on the Group's 6th leased-and-operated hotel in Heyuan.

In view of the detailed assessment for location of Heyuan district, the Board considers that it would be of the interest of the Group to invest in other location with lower cost in Guangdong Province. In order to better utilize the financial resources of the Group in preparation for the uncertain financial and economic environment, the Board considers that it is necessary to adjust the location to expand the Group's leased-and-operated hotel in the PRC. The Group has decided to develop the 6th leased-and-operated hotel in Danshui which is currently under renovation review process.

The 7th leased-and-operated hotel in Huizhou City is expected to start renovation in August 2012 and commence operation within 2012. In April 2012, the Group had started negotiation with two more locations in Dongguan and Fanyu cities to develop its 8th and 9th leased-and-operated hotels, which are expected to complete renovation and commence operation before end of 2012. The Group will continue to seek appropriate locations with business opportunities in other cities in Guangdong Province, and plans to further develop its 10th and 11th leased-and-operated hotels in early 2013.

In addition to expansion of hotel operations and number of leased-and-operated hotels, the Group is also actively seeking investment and engaging in cost effective business opportunities in providing hotel consultancy services, as well as providing hotel management services.

The Group is currently implementing a branding exercise to enhance the awareness of the brand name "Welcome Inn" in the PRC, to better appeal to its target market segments and expand its hotels network. The Directors believe that the successful track record, sound management experience and well recognized brand with reputation of Welcome Inn are key reasons to attract hotel investors.

## **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 2012.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Group had adopted Rules 5.48 to Rules 5.67 Rules of the GEM Listing Rules ("Model Code") as its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings. There was a sale of shares of the Company (the "Shares") by Mr. De Weyer, Daniel Ludovicus Joannes ("Mr. De Weyer"), who is one of the non-executive directors of the Company, on 11 April 2012 which constituted dealing in shares within the "black-out period" by a director of the Company contrary to Rule 5.56 of the GEM Listing Rules. The Company has an established system whereby the directors of the Company are required to first notify the chairman of the Board in writing and receive a dated written acknowledgement from the Chairman, before dealing in the Shares. The Company also maintains a written record of the notifications and acknowledgements in accordance with the GEM Listing Rules. However, the sales of Shares by Mr. De Weyer had not been first notified in writing to the Chairman and no written acknowledgement had been issued by the Chairman to Mr. De Weyer. Mr. De Weyer has stated that the sale of Shares on 11 April 2012 was a complete administrative over-sight on his part and that he notified the Company upon realizing the mistake.

Having made specific enquiry with all the directors, save as the aforesaid, the directors of the Company had complied with the required standard of dealings and the code of conduct for directors' securities transactions during the six months ended 30 June 2012.

## AUDIT COMMITTEE REVIEW

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

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the unaudited interim results for the six months ended 30 June 2012.

## COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the six months ended 30 June 2012 and up to and including the date of this announcement.

## SHARE OPTION SCHEME

The Company has a share option scheme ("Scheme") which was adopted pursuant to a resolution of the sole shareholder passed on 22 June 2011 and adopted by a resolution of the Board on 22 June 2011. The purpose of the Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the Group. The Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

The Scheme became effective on 22 June 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from the adoption of the Scheme, the principal terms of which were summarized in the paragraph headed "Share Option Scheme" in Appendix V to the Company's prospectus dated 30 June 2011 (the "Prospectus").

Category	Date of grant	Exercisable period	Exercise price per share HK\$	As at 31 December 2011	Number of share options				As at 30 June 2012
					Options granted during the period	Options exercised during the period	Options lapsed during the period	Options cancelled during the period	
Employees	21 February 2012	21 February 2012 to 20 February 2014	1.33	—	900,000	—	—	—	900,000
				—	900,000	—	—	—	900,000

## 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 2012.

Save as the abovesaid about the share option scheme, 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 2012.

## COMPLIANCE ADVISER

As updated and notified by the Company's compliance adviser, Quam Capital Limited (and its directors, employees and associates) had no interest in the share capital of the Company as at 30 June 2012 pursuant to Rule 6A.32 of the GEM Listing Rules.

Pursuant to the agreement dated 27 June 2011 entered into between Quam Capital Limited and the Company, Quam Capital Limited received and will receive fees for acting as the compliance adviser of the Company.

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

As at 30 June 2012, the interests or short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to notify the Company and the Stock Exchange pursuant to Rules 5.46 to Rule 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in shares of the Company

Name of Directors	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	10,382,655	5.77%

#### Notes:

1. Ms. Wong Pit Lai, Vera is the spouse of Mr. Fong. Therefore, Ms. Wong Pit Lai Vera is deemed to be interested in the 99,759,466 Shares in which Mr. Fong is interested for the purpose of the SFO.
2. Ms. Makoto Nishimura is the spouse of Mr. De Weyer, Daniel Ludovicus Joannes. Therefore, Ms. Makoto Nishimura is deemed to be interested in the 10,382,655 Shares in which Mr. De Weyer, Daniel Ludovicus Joannes is interested for the purpose of the SFO.

Saved as disclosed above, as at 30 June 2012, none of the Directors of the Company had any other interests or short positions in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

So far as the Directors are aware, as at 30 June 2012, other than the Directors of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' interests and short positions in shares, underlying shares and debentures" above, the following person had, or deemed to have, an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and who are expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

### Long positions in shares of the Company

Name	Capacity	Number of Shares	Percentage of shareholding
Mr. Qiu Dai Lun ( <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, as at 30 June 2012, the Directors were not aware of any other person (other than the Directors as disclosed in the paragraph headed "Directors' interests and short positions in shares, underlying shares and debentures" above) who had, or deemed to have, interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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

Hong Kong, 8 August 2012

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

*This announcement will remain on the "Latest Company Announcements" page of the GEM Website at [www.hkgem.com](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).*