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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 2013**

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 (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 2013 together with the comparative unaudited figures for the corresponding periods in 2012 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	(Unaudited) For six months ended 30 June		(Unaudited) For three months ended 30 June	
		2013 <i>HK\$</i>	2012 <i>HK\$</i>	2013 <i>HK\$</i>	2012 <i>HK\$</i>
Revenue	3	37,719,154	32,328,414	17,547,365	20,454,605
Operating lease expenses		(5,245,000)	(5,174,562)	(2,645,922)	(2,585,271)
Depreciation and amortisation		(4,337,775)	(4,435,175)	(2,181,637)	(2,238,648)
Employee benefit expenses		(6,678,539)	(4,478,580)	(3,406,303)	(2,051,576)
Utilities		(775,238)	(715,262)	(467,521)	(365,098)
Other operating expenses	4	(7,447,983)	(5,476,920)	(4,038,954)	(2,490,760)
Operating profit		13,234,619	12,047,915	4,807,028	10,723,252
Finance income		448,475	31,283	430,747	15,450
Finance cost		(2,633,783)	(97,812)	(1,086,412)	(51,022)
Finance cost — net	5	(2,185,308)	(66,529)	(655,665)	(35,572)
Profit before income tax		11,049,311	11,981,386	4,151,363	10,687,680
Income tax expense	6	(3,372,114)	(3,630,230)	(1,378,153)	(2,586,047)
Profit for the period		<u>7,677,197</u>	<u>8,351,156</u>	<u>2,773,210</u>	<u>8,101,633</u>
Attributable to:					
Equity holders of the Company		<u>7,677,197</u>	<u>8,351,156</u>	<u>2,773,210</u>	<u>8,101,633</u>
Dividend	7	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Basic and diluted earnings per share (HK\$ cents)	8	<u>4.27</u>	<u>4.64</u>	<u>1.54</u>	<u>4.50</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)		(Unaudited)	
	For six months ended		For three months ended	
	30 June		30 June	
	2013	2012	2013	2012
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Profit for the period	7,677,197	8,351,156	2,773,210	8,101,633
Other comprehensive income:				
Currency translation differences	931,200	129,416	911,016	(8,860)
Fair value changes on available-for-sale financial assets	(152,192)	(72,500)	(152,192)	(72,500)
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	<u>8,456,205</u>	<u>8,408,072</u>	<u>3,532,034</u>	<u>8,020,273</u>
Attributable to:				
Equity holders of the Company	<u>8,456,205</u>	<u>8,408,072</u>	<u>3,532,034</u>	<u>8,020,273</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		(Unaudited) 30 June 2013	(Audited) 31 December 2012
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
ASSETS			
Non-current assets			
Property, plant and equipment		50,880,348	36,746,467
Prepayment and deposits		44,454,325	24,450,000
Rental deposits		1,706,603	1,497,017
Prepaid operating lease		10,544,513	10,998,264
Interests in jointly controlled entities		19,498,531	19,492,931
Deferred income tax assets		1,452,223	1,452,223
		128,536,543	94,636,902
Current assets			
Trade and other receivables	9	29,660,791	52,481,410
Available for sales-financial assets		1,009,808	1,162,000
Cash and cash equivalents		32,214,407	27,880,476
		62,885,006	81,523,886
Total assets		191,421,549	176,160,788
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	11	1,800,001	1,800,001
Reserves	12	125,721,209	117,265,004
Total equity		127,521,210	119,065,005
LIABILITIES			
Non-current liability			
Provision for asset retirement	14	3,601,577	3,457,087
Finance lease liabilities		657,724	889,153
Convertible notes-debt component	18	31,458,000	29,405,000
		35,717,301	33,751,240
Current liabilities			
Trade and other payables	13	10,709,807	9,064,789
Current income tax liabilities		16,304,385	13,035,449
Finance lease liabilities		336,846	412,305
Financial derivatives	18	832,000	832,000
		28,183,038	23,344,543

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) 30 June 2013 <i>HK\$</i>	(Audited) 31 December 2012 <i>HK\$</i>
Total liabilities	<u>63,900,339</u>	<u>57,095,783</u>
Total equity and liabilities	<u>191,421,549</u>	<u>176,160,788</u>
Net current assets	<u>34,701,968</u>	<u>58,179,343</u>
Total assets less current liabilities	<u>163,238,511</u>	<u>152,816,245</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2013*

	Issued equity <i>HK\$</i>	Reserves <i>HK\$</i>	Total <i>HK\$</i>
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-financial assets	<u>—</u>	<u>(72,500)</u>	<u>(72,500)</u>
Total comprehensive income for the period	<u>—</u>	<u>8,408,072</u>	<u>8,408,072</u>
Employee share option benefit	<u>—</u>	<u>224,000</u>	<u>224,000</u>
Balance at 30 June 2012 (unaudited)	<u><u>1,800,001</u></u>	<u><u>92,373,485</u></u>	<u><u>94,173,486</u></u>
Balance at 1 January 2013 (audited)	<u>1,800,001</u>	<u>117,265,004</u>	<u>119,065,005</u>
Profit for the period	—	7,677,197	7,677,197
Other comprehensive income:			
Currency translation differences	—	931,200	931,200
Fair value changes on available for sale-financial assets	<u>—</u>	<u>(152,192)</u>	<u>(152,192)</u>
Total comprehensive income for the period	<u>—</u>	<u>8,456,205</u>	<u>8,456,205</u>
Balance of 30 June 2013 (unaudited)	<u><u>1,800,001</u></u>	<u><u>125,721,209</u></u>	<u><u>127,521,210</u></u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited)	
	For six months ended	
	30 June	
	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
Net cash inflow from operating activities	40,360,208	13,781,402
Net cash outflow from investing activities	(37,739,925)	(9,603,450)
Net cash inflow/(outflow) from financing activities	<u>1,496,316</u>	<u>(229,298)</u>
Increase in cash and cash equivalents	4,116,599	3,948,654
Cash and cash equivalents at the beginning of period	27,880,476	16,150,556
Effect of exchange rate changes	<u>217,332</u>	<u>(197,573)</u>
Cash and cash equivalents at the end of period	<u><u>32,214,407</u></u>	<u><u>19,901,637</u></u>
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	<u><u>32,214,407</u></u>	<u><u>19,901,637</u></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 and hotel management 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 2013 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 2012, 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.

New, revised and amended standards and interpretations to existing standards effective in 2013

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 2013:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets

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.

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 provision of hotel management services and sales of hotel membership cards are included in the hotel operations 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 2012 and 2013 is as follows:

	Hotel operations <i>HK\$</i>	Provision of hotel consultancy services <i>HK\$</i>	Total <i>HK\$</i>
For six months ended 30 June 2013 (unaudited)			
Segment revenue	<u>17,537,552</u>	<u>20,181,602</u>	<u>37,719,154</u>
Segment results	<u>1,652,877</u>	<u>11,581,742</u>	<u>13,234,619</u>
Depreciation of property, plant and equipment	<u>(3,614,322)</u>	<u>(298,159)</u>	<u>(3,912,481)</u>
Amortisation of prepaid operating lease	<u>(425,924)</u>	<u>—</u>	<u>(425,294)</u>
For six months ended 30 June 2012 (unaudited)			
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>(3,720,319)</u>	<u>(289,562)</u>	<u>(4,009,881)</u>
Amortisation of prepaid operating lease	<u>(425,294)</u>	<u>—</u>	<u>(425,294)</u>

A reconciliation of segment results to profit before income tax is provided as follows:

	(Unaudited)	
	For six months ended	
	30 June	
	2013	2012
	<i>HK\$</i>	<i>HK\$</i>
Segment results	13,234,619	12,047,915
Finance income	448,475	31,283
Finance cost	<u>(2,633,783)</u>	<u>(97,812)</u>
Profit before income tax	<u>11,049,311</u>	<u>11,981,386</u>

4 OTHER OPERATING EXPENSES

	(Unaudited)		(Unaudited)	
	For six months ended		For three months ended	
	30 June		30 June	
	2013	2012	2013	2012
	HK\$	HK\$	HK\$	HK\$
Auditor's remuneration	750,000	730,000	375,000	480,000
Bank charges	77,302	59,796	41,342	24,434
Consumables and laundries	336,009	402,592	230,413	127,631
Entertainment	266,195	441,694	124,600	149,727
Legal and professional fee	1,376,284	412,128	871,984	173,192
Marketing and promotion	168,080	1,253,092	80,312	665,499
Office supplies	54,671	113,396	22,836	46,867
Property management fee	257,395	322,576	129,420	151,774
Repairs and maintenance	231,797	106,480	107,581	32,091
Sales commission	313,210	247,095	149,367	121,433
Share-based payments expenses	—	224,000	—	—
Telephone and communication	162,580	144,990	75,794	74,702
Others	3,454,460	1,019,081	1,830,305	443,410
	<u>7,447,983</u>	<u>5,476,920</u>	<u>4,038,954</u>	<u>2,490,760</u>

5 FINANCE COST — NET

	(Unaudited)		(Unaudited)	
	For six months ended		For three months ended	
	30 June		30 June	
	2013	2012	2013	2012
	HK\$	HK\$	HK\$	HK\$
Finance income	448,475	31,283	430,747	15,450
Finance cost	(2,633,783)	(97,812)	(1,086,412)	(51,022)
Finance cost — net	<u>(2,185,308)</u>	<u>(66,529)</u>	<u>(655,665)</u>	<u>(35,572)</u>

6 INCOME TAX EXPENSE

	(Unaudited)		(Unaudited)	
	For six months ended		For three months ended	
	30 June		30 June	
	2013	2012	2013	2012
	HK\$	HK\$	HK\$	HK\$
Current income tax				
Hong Kong profits tax	2,088,820	3,554,992	1,001,604	2,521,905
PRC corporate income tax	1,283,294	75,238	376,549	64,142
Income tax expenses	<u>3,372,114</u>	<u>3,630,230</u>	<u>1,378,153</u>	<u>2,586,047</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 2012 and 2013.

The PRC corporate income tax is provided at the rate of 25% for the periods ended 30 June 2012 and 2013.

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 2013 (2012: nil).

8 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the profit attributable to equity holders of the Company of HK\$7,677,197 (2012: HK\$8,351,156) and the weighted average of 180,000,001 ordinary shares (2012: 180,000,001 ordinary shares) in issue during the six months ended 30 June 2013.

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 2013, as well as the three months ended 30 June 2013 as the impact of the share options during the periods had an anti-dilutive effect on the basic earnings per share amounts presented.

Diluted earnings per share for the six months and the three months ended 30 June 2012 are the same as the basic earning per share as there was no dilutive potential shares for the periods.

9 TRADE AND OTHER RECEIVABLES

	(Unaudited) 30 June 2013 HK\$	(Audited) 31 December 2012 HK\$
Trade debtors	25,968,493	49,776,139
Less: Provision of impairment of trade receivables	<u>(1,500,000)</u>	<u>(1,500,000)</u>
	24,468,493	48,276,139
Prepayments, deposits and other receivables	<u>51,353,226</u>	<u>30,152,288</u>
	75,821,719	78,428,427
Less: Non-current portion of rental deposits	(1,706,603)	(1,497,017)
Less: Non-current portion of prepayment for property, plant and equipment	(44,454,325)	(14,450,000)
Less: Non-current portion of deposit for an acquisition of business	<u>—</u>	<u>(10,000,000)</u>
	<u>29,660,791</u>	<u>52,481,410</u>

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

The aging analysis of the trade debtors is as follow:

	(Unaudited) 30 June 2013 HK\$	(Audited) 31 December 2012 HK\$
Neither past due nor impaired	<u>8,310,784</u>	<u>1,018,731</u>
0-30 days past due	247,837	6,457,730
31-60 days past due	9,420,515	6,961,124
61-90 days past due	25,662	4,505,744
Over 90 days past due	<u>6,463,695</u>	<u>29,332,810</u>
Past due but not impaired	<u>16,157,709</u>	<u>47,257,408</u>
	<u><u>24,468,493</u></u>	<u><u>48,276,139</u></u>

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

As at 31 December 2012, the Group had made provision for impairment of trade receivables of HK\$1,500,000. Trade receivables of HK\$16,157,709 (2012: HK\$47,257,408) were past due but not impaired. Management considered that no recoverability problem on these trade balances as a result of subsequent settlement received up to the date of this announcement and the agreement of the revised repayment schedule with certain trade debtors.

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

	(Unaudited) 30 June 2013 HK\$	(Audited) 31 December 2012 HK\$
Renminbi	29,715,116	53,146,209
Hong Kong dollar	<u>46,106,603</u>	<u>25,282,218</u>
	<u><u>75,821,719</u></u>	<u><u>78,428,427</u></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 2013 HK\$	(Audited) 31 December 2012 HK\$
Authorised: 780,000,000 (2012: 780,000,000) ordinary share of HK\$0.01 each	<u>7,800,000</u>	<u>7,800,000</u>
Issued and fully paid: 180,000,001 (2012: 180,000,001) ordinary share of HK\$0.01 each	<u>1,800,001</u>	<u>1,800,001</u>

12 RESERVES

	Share premium HK\$	Exchange reserve HK\$	Share options reserve HK\$	Statutory reserve HK\$	Available for-sale financial assets reserve HK\$	Other reserve HK\$	Shareholder's contributions HK\$	Retained earnings HK\$	Total HK\$
At 1 January 2013 (audited)	38,030,244	1,940,614	224,000	1,161,018	178,000	8,020,110	20,751,024	46,959,994	117,265,004
Profit for the period	—	—	—	—	—	—	—	7,677,197	7,677,197
Fair value change on available-for-sale financial assets	—	—	—	—	(152,192)	—	—	—	(152,192)
Currency translation differences	—	931,200	—	—	—	—	—	—	931,200
Total comprehensive income for the period	—	931,200	—	—	(152,192)	—	—	7,677,197	8,456,205
At 30 June 2013 (unaudited)	<u>38,030,244</u>	<u>2,871,814</u>	<u>224,000</u>	<u>1,161,018</u>	<u>25,808</u>	<u>8,020,110</u>	<u>20,751,024</u>	<u>54,637,191</u>	<u>125,721,209</u>
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>224,000</u>	<u>500,000</u>	<u>(72,500)</u>	<u>8,020,110</u>	<u>20,751,024</u>	<u>23,100,500</u>	<u>92,373,485</u>

13 TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2013 HK\$	(Audited) 31 December 2012 HK\$
Trade payables	2,907,853	2,865,416
Accruals	297,680	2,226,385
Other payables	7,504,274	3,972,988
	<u>10,709,807</u>	<u>9,064,789</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 2013 HK\$	(Audited) 31 December 2012 HK\$
0-30 days	868,189	940,788
31-60 days	573,018	702,292
61-90 days	503,274	542,906
Over 90 days	963,372	679,430
	<u>2,907,853</u>	<u>2,865,416</u>

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

	(Unaudited) 30 June 2013 HK\$	(Audited) 31 December 2012 HK\$
Renminbi	6,369,221	6,316,205
Hong Kong dollar	4,340,586	2,748,584
	<u>10,709,807</u>	<u>9,064,789</u>

14 PROVISION FOR ASSET RETIREMENT

Under the terms of the tenancy agreements entered into 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 2013 HK\$	(Audited) 31 December 2012 HK\$
At 1 January	3,457,087	3,278,455
Finance cost on asset retirement obligations	54,850	160,421
Exchange differences	89,640	18,211
	<u>3,601,577</u>	<u>3,457,087</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 2013 HK\$	(Audited) 31 December 2012 HK\$
No later than 1 year	19,818,304	16,363,076
Later than 1 year and no later than 5 years	50,931,361	54,452,348
Over 5 years	73,925,354	77,699,150
	<u>144,675,019</u>	<u>148,514,574</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 2013 HK\$	(Audited) 31 December 2012 HK\$
Contracted but not provided for:		
— Capital injection to jointly controlled entities	—	1,782,590
— Property, plant and equipment	6,900,000	43,383,844
	<u>6,900,000</u>	<u>45,166,434</u>

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

	(Unaudited) 30 June 2013 HK\$	(Audited) 31 December 2012 HK\$
Contracted but not provided for:		
— Property, plant and equipment	—	4,913,576

17 CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 30 June 2013 (2012: nil).

18 CONVERTIBLE NOTES

	(Unaudited) 30 June 2013 HK\$	(Audited) 31 December 2012 HK\$
Convertible notes — debt component	31,458,000	29,405,000
Financial derivatives	832,000	832,000
	<u>32,290,000</u>	<u>30,237,000</u>

The Company issued 36,000,000 5.0% convertible notes (“convertible notes”) at a consideration of HK\$30.6 million on 12 October 2012. The convertible notes will mature two years from the issue date at 112% of the outstanding principal or can be converted into shares at the holder's option anytime at a conversion price of HK\$0.85 per share. In addition, the convertible notes can be early redeemed by the Company anytime at 112% of the outstanding principal.

The convertible notes recognised in the statement of financial position is calculated as follows:

	HK\$
Debt component on initial recognition at 1 January 2013 (audited)	29,405,000
Interest expense	2,053,000
Interest paid	—
Debt component at 30 June 2013 (unaudited)	<u>31,458,000</u>

As at 30 June 2013, the debt component is discounted at an effective interest rate of 14%.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

The Group is principally engaged in budget hotel and operations, provision of hotel consultancy services and hotel management services in the PRC.

For the six months ended 30 June 2013, the Group recorded a turnover of HK\$37,719,154, compared with HK\$32,328,414 of the corresponding period in the last financial year, representing an increase of approximately 16.67%. The Group recorded a net profit of HK\$7,677,197 for the six months ended 30 June 2013 compared with a net profit of HK\$8,351,156 for the same period of the last financial year. The net profit margin declined from approximately 25.8% for the six months ended 30 June 2012 to approximately 20.4% for the six months ended 30 June 2013. The decline in net profit margin was mainly due to the following factors: (i) the increase in employee benefit expenses due to the increase in salary in the PRC and also the employment of several new senior management executives since January 2013. The ratio of employee benefit expenses to revenue increased from approximately 13.9% for the first half of 2012 to approximately 17.7% for the six months ended 30 June 2013, (ii) the increase in other operating expenses during the first half of 2013. The ratio of other operating expenses to revenue increased from approximately 16.9% for the first half of 2012 to approximately 19.7% for the six months ended 30 June 2013, and (iii) the increase in net finance cost due to the amortisation of interest portion for the convertible notes issued in October 2012, the ratio of net finance cost to revenue was 6% for the six months ended 30 June 2013 (2012: 0%).

Hotel Operation

Revenue from hotel operations segment included the sales of hotel rooms and hotel membership card, and the recognition of hotel management services income. Segment revenue reached HK\$17,537,552 during the six months ended 30 June 2013, representing an increase of 32.4% as compared with segment revenue of HK\$13,246,332 for the same period of the last financial year. Segment revenue increased was due to improvement of average room revenue and occupancy rate, and the recognition of hotel management services income. The average room revenue of all hotels for the six months ended 30 June 2013 was RMB193.7 compared with RMB186.2 for the same period of last financial year, representing an increase of approximately 4%. The average occupancy rate improved significantly from 73% for the first half of 2012 to 83% for the six months ended 30 June 2013. The increase was due to the completion of renovation and facility improvement in five hotels, and also the increase of orders from online reservation. The revenue from hotel management services was HK\$732,208 during the six months ended 30 June 2013 (30 June 2012: nil), it was generated from the provision of hotel management services for Welcomeinn Daimeisha hotel and Welcomeinn Fushan hotel.

The following table shows the key information of the total of the Group's leased-and-operated hotels for the six months ended 30 June 2012 and 2013.

	For six months ended 30 June	
	2013	2012
Total available room nights	72,514	73,413
Occupancy	83%	73%
ARR (RMB) *	193.7	186.2
RevPAR (RMB) ^Δ	<u>160.7</u>	<u>135.7</u>

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

^Δ RevPAR: the average room revenue of all hotels divided by the total available room nights

Hotel Consultancy Services

During the six months ended 30 June 2013, the Group had entered into seven new hotel consultancy agreements for the provision of hotel consultancy services. The Group had completed and recognized approximately 80% in average of these consultancy services fees as revenues according to the stage of completion for each project.

Revenue from hotel consultancy services segment was HK\$20,181,602 during the six months ended 30 June 2013, compared with revenue of HK\$19,082,082 for the same period of last financial year, representing a slight increase of 5.8%. However, the operating profit was HK\$13,234,619 for the six months ended 30 June 2013, compared with HK\$12,359,634 for the same period of last financial year, representing a decrease of approximately 6.3%, which was mainly due to the increase of employee benefit expenses and other operating expenses during the first half of 2013.

Operating Costs

During the six months ended 30 June 2013, the total operating costs was HK\$24,484,535, increased by HK\$4,204,036 or approximately 20.7% compared with HK\$20,280,499 for the same period of last financial year. The increase is primarily attributable to the increase in employee benefit expenses, which was increased by HK\$2,199,959 or approximately 49.1% as compared to the same period of last year. The other reason for the increase of operation costs is due to the increase in other operating expenses such as legal and professional fee, accounting fee and others for the first half of 2013, the other operating expenses was HK\$7,447,983 for the six months ended 30 June 2013, increased by, approximately 36.0% compared to the same period of last financial year.

The following table shows the total operating costs for the six months ended 30 June 2012 and 2013:

	For six months ended 30 June		% of change
	2013	2012	
	HK\$	HK\$	
Operating lease expenses	5,245,000	5,174,562	1.4%
Depreciation of property, plant and equipment	4,337,775	4,435,175	2.2%
Employee benefit expenses	6,678,539	4,478,580	49.1%
Utilities	775,238	715,262	8.4%
Other operating expenses	7,447,983	5,476,920	36.0%
	<u>24,484,535</u>	<u>20,280,499</u>	<u>20.7%</u>

Liquidity, Financial Resources and Capital Structure

During the six months ended 30 June 2013, the Group mainly financed its operations and expansion with its own working capital generated internally.

As at 30 June 2013, the Group had bank balances and cash of approximately HK\$32,214,407 (31 December 2012 (audited): HK\$27,880,476).

Gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt. The gearing ratio as of 30 June 2013 is 0.2% (31 December 2012 (audited): 2.3%).

OUTLOOK

For hotel operations business, the Group had confirmed five new locations for the development of new leased-and-operated hotels. In view of the current status of the renovation and refurbishment work for these five hotels, a slight delay of three to six months in the commencement of their respective operations is expected as compared with the original plans.

For hotel management services business, the Sanya WelcomeInn Waterfront Hotel successfully commenced operation in July 2013 and it is expected that the Sanya WelcomeInn Jinhua Hotel will commence operation in the 4th quarter of 2013 or early 2014.

For hotel consultancy services business, the Group had entered into seven hotel consultancy services agreements for the six months ended 30 June 2013, in which the Group had completed and recognized approximately 80% in average of the consultancy services income, it is expected that the remaining 20% works will be completed within 2013.

The Group will continue to expand its hotel business in the PRC with focus on the Southern China region. In addition to the expansion of number of leased-and-operated hotels, the Group is also actively seeking for investment and engaging in asset-light and cost effective business opportunities in providing hotel consultancy services, as well as providing hotel management services.

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 2013.

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 with all the Directors, the Directors had complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2013.

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 four independent non-executive Directors. Mr. Wong, Sui Chi Frankie is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and has discussed and reviewed the internal controls and financial reporting matters, including the review of the unaudited interim results for the six months ended 30 June 2013 with the management of the Company.

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 2013 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 2012	Number of share options				As at 30 June 2013
					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
				<u>900,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>900,000</u>

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 2013.

Save as the abovesaid of the 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 2013.

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 2013 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.

Pursuant to the agreement dated 31 January 2013 entered into between Quam Capital Limited and the Company, Quam Capital Limited received and will receive fees for acting as the financial adviser of the Company for the proposed transfer of listing of the shares of the Company from GEM to the Main Board of the Stock Exchange.

OTHER EVENT

On 21 March 2013, the Company has submitted an application to the Stock Exchange for the transfer of listing of all shares of the Company (the “Shares”) from the GEM to the Main Board of the Stock Exchange (the “Transfer of Listing”) under Chapter 9A of the Listing Rules. The Board believes that the Transfer of Listing will enhance the profile of the Company and increase the trading liquidity of the Shares. The Board also considers that the Transfer of Listing will be beneficial to the future growth and business development of the Group as well as its financing flexibility. There is no intention of the Board to change the nature of business of the Group following the Transfer of Listing. The Transfer of Listing will not involve issuance of any new Shares of the Company. The Transfer of Listing is subject to the approval of the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company’s total issued share capital was held by the public as at the date of this report.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

The Company had no other significant investments and material acquisitions or disposals for the six months ended 30 June 2013.

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2013, 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	102,576,466	56.99%
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, Man Kelvin (“Mr. Fong”). Therefore, Ms. Wong Pit Lai Vera is deemed to be interested in the 102,576,466 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 2013, none of the Directors 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 2013, 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	10,722,000	5.96%

Note:

1. Ms. Cheng Xiaomin is the spouse of Mr. Qiu Dai Lun. Therefore, Ms. Cheng Xiaomin is deemed to be interested in the 10,722,000 Shares in which Mr. Qiu Dai Lun is interested for the purpose of the SFO.

Saved as disclosed above, as at 30 June 2013, 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, 7 August 2013

As at the date of this announcement, the executive Directors are Mr. Fong, Man Kelvin and Ms. Fong, Nga Peggy; 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, Mr. Tsoi, Wing Sum and Mr. Wong, Sui Chi Frankie.

This announcement will remain on the "Latest Company Announcements" page of the GEM Website at 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 <http://www.legendstrategy.com>.