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LEGEND STRATEGY INTERNATIONAL HOLDINGS GROUP COMPANY LIMITED
枌濬國際集團控股有限公司

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

(Stock Code: 1355)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

INTERIM RESULTS

The board of directors (the "Board") of Legend Strategy International Holdings Group Company 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 2014 together with the comparative unaudited figures for the corresponding periods in 2013 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	(Unaudited) For six months ended 30 June 2014 HK$	2013 HK$
Revenue	3	**14,705,163**	37,719,154
Operating lease expenses		**(9,119,336)**	(5,245,000)
Depreciation of property, plant and equipment		**(3,078,877)**	(4,337,775)
Employee benefit expenses		**(6,090,711)**	(6,678,539)
Utilities		**(795,886)**	(775,238)
Other operating expenses	4	**(11,529,150)**	(7,447,983)
Other income		**388,747**	—
Operating (loss)/profit		**(15,520,050)**	13,234,619
Finance income		**39,855**	448,475
Finance cost		**(710,139)**	(2,633,783)
Finance cost — net	5	**(670,284)**	(2,185,308)
Share of results of joint ventures		**(2,504,410)**	—
(Loss)/profit before income tax		**(18,694,744)**	11,049,311
Income tax credit/(expense)	6	**8,430,008**	(3,372,114)
(Loss)/profit for the period		**(10,264,736)**	7,677,197
Dividends	7	**—**	—
Basic and diluted (loss)/earnings per share (HK$ cents)	8	**(4.73)**	4.27

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) For six months ended 30 June	
	2014	2013
	HK$	*HK$*
(Loss)/profit for the period	**(10,264,736)**	7,677,197
Other comprehensive (loss)/income:		
Currency translation differences	**(776,786)**	931,200
Fair value changes on available-for-sale financial assets	**—**	(152,192)
Total comprehensive (loss)/income for the period	**(11,041,522)**	8,456,205
(Loss)/profit attributable to:		
Owners of the company	**(10,264,736)**	7,677,197
Total comprehensive (loss)/income attributable to:		
Owners of the company	**(11,041,522)**	8,456,205

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(Unaudited) 30 June 2014 HK$	(Audited) 31 December 2013 HK$
ASSETS			
Non-current assets			
Property, plant and equipment		**74,056,754**	53,340,247
Prepayment and deposits	*9*	**30,934,316**	59,969,169
Rental deposits	*9*	**2,578,338**	1,425,273
Prepaid operating lease	*10*	**10,073,790**	10,529,348
Interests in jointly ventures		**22,961,934**	25,432,735
Deferred income tax assets		**1,287,016**	1,284,573
		141,892,148	151,981,525
Current assets			
Trade and other receivables	*9*	**39,584,578**	13,038,625
Amounts due from joint ventures		**2,055,642**	1,024,454
Cash and cash equivalents		**3,267,718**	19,585,536
		44,907,938	33,648,615
Total assets		**186,800,086**	185,630,140
EQUITY			
Capital and reserves attributable to the owners of the Company			
Share capital	*11*	**2,180,201**	2,165,001
Reserves	*12*	**139,663,466**	148,304,988
Total equity		**141,843,667**	150,469,989
LIABILITIES			
Non-current liabilities			
Provision for asset retirement	*14*	**1,520,848**	1,440,769
Finance lease liabilities		**342,695**	516,251
Borrowing		**20,000,000**	—
		21,863,543	1,957,020
Current liabilities			
Provision for asset retirement	*14*	**2,282,963**	2,299,176
Trade and other payables	*13*	**17,075,579**	16,625,205
Current income tax liabilities		**3,390,180**	13,936,056
Finance lease liabilities		**344,154**	342,694
		23,092,876	33,203,131

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) **30 June 2014** ***HK$***	(Audited) 31 December 2013 *HK$*
Total liabilities	**44,956,419**	35,160,151
Total equity and liabilities	**186,800,086**	185,630,140
Net current assets	**21,815,062**	445,484
Total assets less current liabilities	**163,707,210**	152,427,009

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company		
	Share capital	**Reserves**	**Total**
	HK$	*HK$*	*HK$*
Balance at 1 January 2013 (audited)	1,800,001	117,265,004	119,065,005
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	—	(152,192)	(152,192)
Total comprehensive income for the period	—	8,456,205	8,456,205
Balance at 30 June 2013 (unaudited)	1,800,001	125,721,209	127,521,210
Balance at 1 January 2014 (audited)	**2,165,001**	**148,304,988**	**150,469,989**
Loss for the period	**—**	**(10,264,736)**	**(10,264,736)**
Other comprehensive loss:			
Currency translation differences	**—**	**(776,786)**	**(776,786)**
Total comprehensive loss for the period	**—**	**(11,041,522)**	**(11,041,522)**
Total contributions by and distributions to owners of the Company recognised directly in equity			
Exercise of share option by employee	**15,200**	**2,400,000**	**2,415,200**
Balance of 30 June 2014 (unaudited)	**2,180,201**	**139,663,466**	**141,843,667**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) For six months ended 30 June	
	2014	2013
	HK$	*HK$*
Net cash (outflow)/inflow from operating activities	**(39,083,771)**	40,360,208
Net cash inflow/(outflow) from investing activities	**1,280,581**	(37,739,925)
Net cash inflow from financing activities	**21,623,489**	1,496,316
Decrease in cash and cash equivalents	**(16,179,701)**	4,116,599
Cash and cash equivalents at the beginning of period	**19,585,536**	27,880,476
Effect of exchange rate changes	**(138,117)**	217,332
Cash and cash equivalents at the end of period	**3,267,718**	32,214,407
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	**3,267,718**	32,214,407

NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Group is principally engaged in the budget hotel operations and provision of hotel consultancy and management services in the People's Republic of China (the "PRC").

The Company was incorporated in the Cayman Islands on 23 February 2011 as an exempted company with limited liability under the Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

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 2014 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 2013, 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 2014

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 July 2014:

HKFRS 9	Financial instruments[4]
HKFRS 14	Regulatory deferral accounts[3]
Annual improvements 2012	Annual improvements to HKFRS 2010-2012 cycle[1]
Annual improvements 2013	Annual improvements to HKFRS 2011-2013 cycle[1]
HK(IFRIC) — Int 2	Members' shares in co-operative entities and similar instruments[2]
HK(IFRIC) — Int 4	Determining whether an arrangement contains a lease[3]

1 Effective for financial periods beginning on or after 1 July 2014
2 Effective for financial periods beginning on or after 1 January 2015
3 Effective for financial periods beginning on or after 1 January 2016
4 Effective date to be determined

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 2014 and 2013 is as follows:

	Hotel operations	**Provision of hotel consultancy services**	**Total**
	HK$	*HK$*	*HK$*
For six months ended 30 June 2014 (unaudited)			
Segment revenue	**14,705,163**	**—**	**14,705,163**
Segment results	**(12,581,159)**	**(2,938,891)**	**(15,520,050)**
Depreciation of property, plant and equipment	**2,580,569**	**228,308**	**3,078,877**
Amortisation of prepaid operating lease	**425,924**	**—**	**425,924**
Provision for impairment of trade debtors	**629,644**	**—**	**629,644**
For six months ended 30 June 2013 (unaudited)			
Segment revenue	17,537,552	20,181,602	37,719,154
Segment results	1,652,877	11,581,742	13,234,619
Depreciation of property, plant and equipment	4,039,616	298,159	4,337,775
Amortisation of prepaid operating lease	425,924	—	425,294

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

	(Unaudited) For six months ended 30 June	
	2014	2013
	HK$	*HK$*
Segment results	**(15,520,050)**	13,234,619
Finance income	**39,855**	448,475
Finance cost	**(710,139)**	(2,633,783)
Share of results of joint ventures	**(2,504,410)**	—
(Loss)/profit before income tax	**(18,694,744)**	11,049,311

4 OTHER OPERATING EXPENSES

	(Unaudited) For six months ended 30 June	
	2014	2013
	HK$	*HK$*
Auditor's remuneration	**1,060,000**	750,000
Bank charges	**48,707**	77,302
Consumables and laundries	**549,222**	336,009
Entertainment	**389,554**	266,195
Legal and professional fee	**657,090**	1,376,284
Marketing and promotion	**387,311**	168,080
Office supplies	**81,970**	54,671
Property management fee	**131,068**	257,395
Repairs and maintenance	**223,406**	231,797
Sales commission	**578,984**	313,210
Telephone and communication	**176,455**	162,580
Others	**7,245,383**	3,454,460
	11,529,150	7,447,983

5 FINANCE COST — NET

	(Unaudited) For six months ended 30 June	
	2014	2013
	HK$	*HK$*
Finance income	**39,855**	448,475
Finance cost	**(710,139)**	(2,633,783)
Finance cost — net	**(670,284)**	(2,185,308)

6 INCOME TAX CREDIT/(EXPENSE)

	(Unaudited) For six months ended 30 June	
	2014	2013
	HK$	*HK$*
Current income tax credit	**8,710,908**	—
Current income tax (expense):		
Hong Kong profits tax	**(280,900)**	(2,088,820)
PRC corporate income tax	**—**	(1,283,294)
Income tax credit/(expense)	**8,430,008**	(3,372,114)

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the periods ended 30 June 2013 and 2014.

The PRC corporate income tax is provided at the rate of 25% for the periods ended 30 June 2013 and 2014.

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

7 DIVIDENDS

The Directors do not recommend payment of interim dividend for the six months ended 30 June 2014 (2013: nil).

8 (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2014 is based on the loss attributable to owners of the Company of HK$10,264,736 (2013: profit attributable to owners of the Company HK$7,677,197) and the weighted average of 217,372,480 ordinary shares (2013: 180,000,001 ordinary shares) in issue during the six months ended 30 June 2014.

In respect of the diluted (loss)/earnings per share amounts presented, no adjustment has been made to the basic (loss)/earnings per share amounts presented for the six months ended 30 June 2014, as well as the six 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 ended 30 June 2013 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 2014** ***HK$***	(Audited) 31 December 2013 *HK$*
Trade debtors	**10,840,576**	10,929,589
Less: Provision of impairment of trade receivables	**(629,644)**	(634,115)
	10,210,932	10,295,474
Prepayments, deposits and other receivables	**72,960,090**	74,666,941
	83,171,022	84,962,415
Less: Non-current portion of rental deposits	**(2,578,338)**	(1,425,273)
Less: Non-current portion of prepayment for property, plant and equipment	**(30,934,316)**	(59,969,169)
Less: Non-current portion of prepaid operating lease	**(10,073,790)**	(10,529,348)
	39,584,578	13,038,625

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 2014** ***HK$***	(Audited) 31 December 2013 *HK$*
Neither past due nor impaired	**729,704**	110,005
0-30 days past due	**241,026**	673,981
31-60 days past due	**210,490**	237,934
61-90 days past due	**564,441**	481,524
Over 90 days past due	**8,465,271**	8,792,030
Past due but not impaired	**9,481,228**	10,185,469
	10,210,932	10,295,474

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 30 June 2014, trade receivables of HK$9,481,228 (2013: HK$10,185,469) were past due but not impaired.

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

	(Unaudited) **30 June 2014** ***HK$***	(Audited) 31 December 2013 *HK$*
Renminbi	**53,587,246**	56,367,348
Hong Kong dollar	**29,583,776**	28,595,067
	83,171,022	84,962,415

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 2014 HK$	(Audited) 31 December 2013 HK$
Authorised:		
780,000,000 (2013: 780,000,000) ordinary share of HK$0.01 each	**7,800,000**	7,800,000
Issued and fully paid:		
218,020,001 (2013: 216,500,001) ordinary share of HK$0.01 each	**2,180,201**	2,165,001

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 2014 (audited)	**71,493,994**	**4,237,375**	**2,935,250**	**1,604,263**	**—**	**8,020,110**	**20,751,024**	**39,262,972**	**148,304,988**
Loss for the period	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(10,264,736)**	**(10,264,736)**
Exercise of share options by employee	**2,868,400**	**—**	**(468,400)**	**—**	**—**	**—**	**—**	**—**	**2,400,000**
Currency translation differences	**—**	**(776,986)**	**—**	**—**	**—**	**—**	**—**	**—**	**(776,786)**
Total comprehensive loss for the period	**2,868,400**	**(776,986)**	**(468,400)**	**—**	**—**	**—**	**—**	**(10,264,736)**	**(8,641,522)**
At 30 June 2014 (unaudited)	**74,362,394**	**3,460,589**	**2,466,850**	**1,604,263**	**—**	**8,020,110**	**20,751,024**	**28,998,236**	**139,663,466**
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)	38,030,244	2,871,814	224,000	1,161,018	25,808	8,020,110	20,751,024	54,637,191	125,721,209

13 TRADE AND OTHER PAYABLES

	(Unaudited)	(Audited)
	30 June 2014	31 December 2013
	HK$	*HK$*
Trade payables	**9,043,354**	3,072,392
Accruals and other payables	**8,032,225**	13,552,813
	17,075,579	16,625,205

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)	(Audited)
	30 June 2014	31 December 2013
	HK$	*HK$*
0-30 days	**2,180,078**	1,151,344
31-60 days	**887,884**	706,732
61-90 days	**727,828**	588,059
Over 90 days	**5,247,564**	626,257
	9,043,354	3,072,392

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

	(Unaudited)	(Audited)
	30 June 2014	31 December 2013
	HK$	*HK$*
Renminbi	**14,347,094**	10,662,137
Hong Kong dollar	**2,728,485**	5,963,068
	17,075,579	16,625,205

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)	(Audited)
	30 June 2014	31 December 2013
	HK$	*HK$*
At 1 January	**3,739,945**	3,457,087
Finance cost on asset retirement obligations	**90,240**	173,407
Exchange differences	**(26,374)**	109,451
Less: non-current portion	**(1,520,848)**	(1,440,769)
	2,282,963	2,299,176

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)	(Audited)
	30 June 2014	31 December 2013
	HK$	*HK$*
No later than 1 year	**14,073,077**	13,179,879
Later than 1 year and no later than 5 years	**46,557,925**	40,631,817
Over 5 years	**57,344,509**	76,191,099
	117,975,511	130,002,795

16 CAPITAL COMMITMENT

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

	(Unaudited)	(Audited)
	30 June 2014	31 December 2013
	HK$	*HK$*
Contracted but not provided for:		
— Property, plant and equipment	**32,925,753**	38,225,301

17 CONTINGENT LIABILITIES

The Group had no significant contingent liabilities at 30 June 2014 (2013: nil).

Business and Operational Review

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

Hotel Operation

For the six months ended 30 June 2014, the Group has three leased-and-operated hotels and four managed hotels under 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 was HK$14,705,163 during the six months ended 30 June 2014, representing an decrease of 16.15% as compared with segment revenue of HK$17,537,552 for the same period of the last financial year. Segment revenue decrease was due to the close of hotel in caitian in the PRC. The average room revenue of all hotels for the six months ended 30 June 2014 was RMB169.5 compared with RMB193.7 for the same period of last financial year, representing an decrease of approximately 10.15%. The average occupancy rate improved significantly from 83% for the first half of 2013 to 89% for the six months ended 30 June 2014. The increase was due to the increase of orders from online reservation. The revenue from hotel management services was HK$1,714,427 during the six months ended 30 June 2014 (30 June 2013: HK$732,208), it was generated from the provision of hotel management services for Welcomeinn Daimeisha hotel, Welcomeinn Fushan hotel, Welcomeinn Sanya Waterfront Hotel and Welcomeinn Sanya Jiuhua Hotel. During the first six months of 2014, the Group has four new hotels under constructions:

The Group confirmed a location in the North of Xiachong Fairground, Daya Bay district, Huizhou City, Guangdong Province, the PRC, to develop a new leased-and-operated hotel (the "**Xiachong Hotel**"). The renovation work for Xiachong Hotel has started in the fourth quarter of 2012. The Xiachong Hotel was expected to finish refurbishment in 2013 but due to the changing of floor plan, the commencement of operation will be delayed until the second half of 2014.

The Group confirmed a location in the Huicheng district, Huizhou City, Guangdong Province, the PRC, to develop a leased-and-operated hotel (the "**Huizhou Binjiang Hotel**") and is expected that the Huizhou Binjiang Hotel can commence operation in the second half of 2014.

The Group confirmed a location in Changping district, Dongguan City, Guangdong Province, the PRC to develop a leased-and-operated hotel (the "**Changping Hotel**"). The Group expects refurbishment work to be completed in June 2014 and the Changping Hotel to commence operation within third quarter of 2014.

The Group confirmed a location in Buji, Longgang district, Shenzhen City, Guangdong Province, the PRC, to develop a new leased-and-operated hotel (the "**Buji Hotel**"). The Buji Hotel is currently under renovation and is expected to finish refurbishment in first quarter of 2015.

Future Development and Outlook for Hotel Operation

In March 2012, the Group had identified two locations in Meilin, Futian district and Shekou, Nanshan district respectively in Shenzhen City, Guangdong Province, the PRC to develop two leased-and-operated hotels (the "**Meilin Hotel**" and the "**Shekou Hotel**" respectively). However during the starting of construction and renovation, the Group discovered that these two premises may not be the suitable locations to operate the hotel business so the Group had changed the location from Meilin and Shekou district to Changan (長安鎮), Dongguan City, Guangdong Province, the PRC. However, due to an abrupt slowdown of economic growth in Dongguan

City since February 2014, In June 2014, the Group decided to withdraw all hotel development projects in Changan and the Group can get the refund of HK$25,700,000 from the construction company according to the construction contracts. The Company will receive the fund before 31 October 2014 but an one off expenses of transfer fee for two hotels in total of HK$4.37 million was non refundable. The Directors believe that the withdrawal of hotel development project is the best interest to the Group and the shareholders.

On 27 January 2014, the Company entered into a memorandum of understanding ("**MOU**") with Vanli Holdings Company Limited (萬力控股有限公司) (the "**Developer**"), a property developer in the PRC in relation to a proposed business cooperation (the "**Proposed Business Cooperation**") in developing or operating not less than 50 budget hotels in the wholesale markets, multi-functional commercial complexes and shopping malls which are currently developed by the Developer in the PRC. Currently the Group is still in discussion with the Developer.

The Group plans to slowdown the expansion of its hotel network in the PRC due to the uncertainly of economic situation and increasing of competition in hospitality industry. The Directors believe that the Group should take a conservative strategy to face the competition and rapid market changes.

Hotel Consultancy Services

For the six months ended 30 June 2014, there is no revenue generated from the provision of hotel consultancy services. The major reason is that two customers informed the Group in early August 2014 in writing to rescind their hotel consultancy service agreements, which were entered into with the Group in April 2014, due to lack of sufficient capital to develop their hotel businesses. At present, the Group has engaged a PRC lawyer and are considering legal actions against these two customers for the breach of contracts. As uncertainties prevails within the hotel business in the PRC, the Directors believe that the Group would reconsider its strategic approach with regards to the hotel consultancy service until the hotel business in the PRC has improved.

Financial Review

For the six months ended 30 June 2014, the Group recorded a turnover of HK$14,705,163, compared with HK$37,719,154 of the corresponding period in the last financial year, representing an decrease of approximately 61.01%. The Group recorded a net loss of HK$10,264,736 for the six months ended 30 June 2014 compared with a net profit of HK$7,677,197 for the same period of the last financial year. The net loss for the six months ended 30 June 2014 was mainly due to the following factors: (i) the increase in operating lease expenses due to the increase in number of hotels under development in the PRC; and (ii) the increase in other operating expenses during the first half of 2014.

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 2013 and 2014.

	For six months ended 30 June	
	2014	2013
Total available room nights	**56,897**	72,514
Occupancy rate	**89%**	83%
ARR (RMB) *	**169.5**	193.7
RevPAR (RMB) $^{\Delta}$	**150.4**	160.7

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

$^{\Delta}$ RevPAR: the average room revenue of all hotels divided by the total available room nights

Operating Costs

During the six months ended 30 June 2014, total operating costs increased by approximately 25.03% to HK$30,613,960 for the six months ended 30 June 2014 from HK$24,484,535 for the six months ended 30 June 2013. Such increase was mainly due to (i) the increase in operating lease expenses arising from the increase in the number of the hotels under development in the PRC and (ii) the increase in other operating expenses from HK$7,447,983 for the six months ended 30 June 2013 to HK$11,529,150 for the six months ended 30 June 2014 which is mainly caused by an one-off expense of transfer fee for two hotels amounting to approximately in total of HK$4.37 million in relation to a withdrawal of a hotel development project in Changan.

The following table shows the total operating costs for the six months ended 30 June 2013 and 2014:

	For six months ended 30 June		
	2014	2013	
	HK$	*HK$*	*% of change*
Operating lease expenses	**9,119,336**	5,245,000	73.87
Depreciation of property, plant and equipment	**3,078,877**	4,337,775	(29.02)
Employee benefit expenses	**6,090,711**	6,678,539	(8.80)
Utilities	**795,886**	775,238	2.66
Other operating expenses	**11,529,150**	7,447,983	54.80
	30,613,960	24,484,535	25.03

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the six months ended 30 June 2014, the Group mainly financed its operations and expansion with its own working capital generated internally and loan from money lender.

As at 30 June 2014, the Group had bank balances and cash of approximately HK$3,267,718 (31 December 2013 (audited): HK$19,585,536).

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 2014 is 10.94% (31 December 2013 (audited): Nil).

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investment held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended June 2014 and there is no plan for material investments or capital assets as at the date of this announcement.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2014.

CHARGES ON GROUP ASSETS

The Group had no charges on Group Assets.

FOREIGN EXCHANGE RISK

For the six months ended 30 June 2014, the Group's income and expenses were denominated in Renminbi and Hong Kong Dollar. The Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

CAPITAL STRUCTURE

On 13 August 2014, the Company has issued and allotted a total of 46,500,000 new ordinary shares at placing price of HK$0.79 each. Save for the issue of new ordinary shares, there was no material change in the capital structure of the Group during the first six months ended 30 June 2014. The total number of the issued shares of the Company was 218,020,001 as at 30 June 2014.

DIVIDENDS

The Directors do not recommend payment of any dividend in respect of the six months ended 30 June 2014.

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 announcement.

EMPLOYEE AND REMUNERATION POLICIES

The Group had 126 employees (31 December 2013: 128 employees) as at 30 June 2014. Remuneration is determined by reference to market terms and performance, qualifications and experience of individual employee. Discretionary bonuses based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to retirement scheme.

CORPORATE GOVERNANCE

The Group had complied with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group had adopted Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings.

The Company had made specific enquiry to all the Directors, the Directors have confirmed compliance with this code of conduct during the six months ended 30 June 2014.

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 2014 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 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as the placing of shares on 13 August 2014, details of which has announced by announcements on 23 July 2014 and 12 August 2014, 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 2014.

Save as the above, 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 2014.

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

Hong Kong, 25 August 2014

As at the date of this announcement, the board of Directors comprises

Executive Directors:	Mr. Fong Man Kelvin *(Chairman)* Ms. Fong Nga Peggy Mr. Yue Kwai Wa Ken Mr. Yip Chung Wai David
Non- executive Director:	Lord De Weyer of Cold Highham, Daniel Joannes Ludovicus
Independent Non-executive Directors:	Dr. Wong Hak Kun Jerry Mr. Wong Sui Chi Frankie Mr. Liu Cheng Zhong Mr. Frostick Stephen William