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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: 1355)**

### **CLARIFICATION ANNOUNCEMENT**

Reference is made to the announcements (the “**Announcements**”) of Legend Strategy International Holdings Group Company Limited (the “**Company**”) dated on 27 January 2015 in relation to the voluntary disclosure for an impairment loss on Joint Ventures and dated on 27 March 2015 in relation to the consolidated annual results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2014. Capitalised terms used herein shall have the same meaning as those defined in the Announcements, unless otherwise specified.

The Board wishes to clarify more details about the impairment of interest in Joint Ventures and share of results of Joint Ventures for approximately HK\$19 million, which accounts for 37% of the attributable loss for the year ended 31 December 2014. The detail explanation and figures are listed as follow:

1. At the end of the reporting period, the Directors reviewed the performance of the Joint Ventures and noted that the performance did not meet with the expectation of the management. As such the Group reassessed its estimates on the recoverable amounts of the interests in Joint Ventures. The Directors believe that the intense competition from South East Asia countries which may cause the decrease in the number of tourists to Sanya, PRC and the continuing increase in operating costs in Sanya, PRC will adversely affect the performance of the Joint Ventures in the future. These factors indicate that there is impairment on the carrying amount of the Group’s interests in Joint Ventures.
2. The recoverable amount of the Joint Ventures was determined by reference to a valuation report prepared by a professional valuer as a basis of the impairment. Based on the valuation report, discounted free cash flow to the firm was adopted in the valuation. The Company did not prepare any valuation report in previous years.
3. With reference to above explanation, the Directors assessed the recoverable amounts of the interests in Joint Ventures by reference to a valuation report. Based on the valuation report, the Directors noted that the net assets of the Joint Ventures were higher than their recoverable amounts, therefore impairment on property, plant and equipment of HK\$9,895,877 on Joint Venture level were provided for the year ended 31 December 2014. Consequently, the Joint Ventures’ loss for the year was increased by the impairment and the Group’s share of loss of Joint Ventures was increased to HK\$12,331,951 for the year ended 31 December 2014.

4. The Directors reviewed the Joint Ventures' operations and financial positions as at 31 December 2014 based on fair value calculation. A discount rate of 20.30% was applied on projected cash flow for fair value calculation. Due to the unsatisfactory operating performance, there was a decrease in the recoverable amount from fair value calculation. Accordingly, for the year ended 31 December 2014, an impairment loss of HK\$6,797,484 (2013: Nil) was provided for the Group's interests in the Joint Ventures.
5. The Directors determined the fair value of the Joint Ventures by reference to a valuation report and provided for an impairment of property, plant and equipment at the Joint Ventures level for the year ended 31 December 2014, which is the excess of the net assets of Joint Ventures over their fair value, as follows:

	<b>Sanya Welcomeinn Waterfront Tourism Limited HK\$</b>	<b>Sanya Welcomeinn Jinhua Tourism Limited HK\$</b>	<b>Total HK\$</b>
Net assets	9,811,886	11,469,991	21,281,877
Fair value of the Joint Ventures	<u>5,914,000</u>	<u>5,472,000</u>	<u>11,386,000</u>
Impairment of property, plant and equipment	<u>(3,897,886)</u>	<u>(5,997,991)</u>	<u>(9,895,877)</u>

6. Key financial figures from the result of the Joint Ventures will be disclosed in the annual report 2014 which will be published on 28 April 2015.

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

Hong Kong, 23 April 2015

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

*Executive Directors:*

Mr. Fong Man Kelvin (*Chairman*)  
Ms. Fong Nga Peggy  
Mr. Mak Yiu Cho  
Mr. Law Fei Shing

*Independent Non-executive Directors:*

Dr. Wong Hak Kun Jerry  
Mr. Wong Sui Chi Frankie  
Mr. Liu Cheng Zhong  
Mr. Frostick Stephen William