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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 2015 together with the comparative unaudited figures for the corresponding period in 2014 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2015

	<i>Notes</i>	Six months ended 30 June	
		2015	2014
		HK\$	HK\$
		(Unaudited)	(Unaudited)
Revenue	5	11,949,401	14,705,163
Operating lease expenses		(10,285,277)	(9,119,336)
Depreciation of property, plant and equipment		(4,000,836)	(3,078,877)
Employee benefit expenses		(5,859,443)	(6,090,711)
Utilities		(924,836)	(795,886)
Other operating expenses		(8,236,323)	(11,529,150)
Other income		391,234	428,602
Operating loss		(16,966,080)	(15,480,195)
Finance costs	6	(73,665)	(710,139)
Share of results of joint ventures		(1,977,800)	(2,504,410)
Loss before tax		(19,017,545)	(18,694,744)
Income tax credit	7	—	8,430,008
Loss for the period attributable to owners of the Company	8	(19,017,545)	(10,264,736)
Other comprehensive income/(loss):			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		43,482	(776,786)
Other comprehensive income/(loss) for the period, net of tax		43,482	(776,786)
Total comprehensive loss for the period attributable to owners of the Company		(18,974,063)	(11,041,522)
Loss per share	10		
Basic and diluted (Hong Kong cents)		(6.10)	(4.73)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		30 June 2015	31 December 2014
	<i>Notes</i>	<i>HK\$</i> (Unaudited)	<i>HK\$</i> (Audited)
Non-current assets			
Property, plant and equipment	11	72,976,157	77,312,841
Prepayments for property, plant and equipment	12	23,843,947	24,169,069
Rental deposits	12	4,945,216	2,243,510
Prepaid operating leases	12	9,358,212	9,823,653
Other receivables	12	8,000,000	—
Interests in joint ventures	13	4,853,800	6,831,600
Deferred income tax assets		1,688,036	1,688,384
		<hr/> 125,665,368	<hr/> 122,069,057
Current assets			
Trade receivables	14	9,456,665	7,741,933
Prepayments, deposits and other receivables	12	14,094,671	27,839,907
Amounts due from joint ventures	15	5,779,253	2,114,950
Bank and cash balances		18,673,258	2,322,143
		<hr/> 48,003,847	<hr/> 40,018,933
Current liabilities			
Provision for asset retirement		2,282,963	2,422,083
Trade and other payables	16	17,864,469	21,696,678
Current income tax liabilities		1,323,313	1,733,623
Finance lease payables		—	419,560
		<hr/> 21,470,745	<hr/> 26,271,944
Net current assets		<hr/> 26,533,102	<hr/> 13,746,989
Total assets less current liabilities		<hr/> 152,198,470	<hr/> 135,816,046

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

		30 June	31 December
		2015	2014
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
		(Unaudited)	(Audited)
Non-current liabilities			
Provision for asset retirement		1,701,102	1,485,747
Finance lease payables		—	155,583
		<hr/>	<hr/>
		1,701,102	1,641,330
		<hr/>	<hr/>
NET ASSETS		150,497,368	134,174,716
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Share capital	<i>17</i>	3,148,201	2,617,701
Reserves		147,349,167	131,557,015
		<hr/>	<hr/>
TOTAL EQUITY		150,497,368	134,174,716
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Share capital HK\$ (Unaudited)	Share premium HK\$ (Unaudited)	Exchange reserve HK\$ (Unaudited)	Statutory reserve HK\$ (Unaudited)	Share-based payment reserve HK\$ (Unaudited)	Other reserve HK\$ (Unaudited)	Shareholder's contributions HK\$ (Unaudited)	Retained earnings/ (accumulated losses) HK\$ (Unaudited)	Total HK\$ (Unaudited)
At 1 January 2014 (Audited)	2,165,001	71,493,994	4,237,375	1,604,263	2,935,250	8,020,110	20,751,024	39,262,972	150,469,989
Total comprehensive loss for the period	—	—	(776,786)	—	—	—	—	(10,264,736)	(11,041,522)
Issue of shares upon exercise of share options	15,200	2,868,400	—	—	(468,400)	—	—	—	2,415,200
At 30 June 2014 (Unaudited)	<u>2,180,201</u>	<u>74,362,394</u>	<u>3,460,589</u>	<u>1,604,263</u>	<u>2,466,850</u>	<u>8,020,110</u>	<u>20,751,024</u>	<u>28,998,236</u>	<u>141,843,667</u>
At 1 January 2015 (Audited)	2,617,701	107,940,644	3,145,012	1,742,763	2,376,475	8,020,110	20,751,024	(12,419,013)	134,174,716
Total comprehensive loss for the period	—	—	43,482	—	—	—	—	(19,017,545)	(18,974,063)
Issue of shares upon placing	523,000	33,407,215	—	—	—	—	—	—	33,930,215
Issue of shares upon exercise of share options	7,500	1,630,125	—	—	(271,125)	—	—	—	1,366,500
At 30 June 2015 (Unaudited)	<u>3,148,201</u>	<u>142,977,984</u>	<u>3,188,494</u>	<u>1,742,763</u>	<u>2,105,350</u>	<u>8,020,110</u>	<u>20,751,024</u>	<u>(31,436,558)</u>	<u>150,497,368</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK\$	HK\$
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(18,964,093)	(39,083,771)
NET CASH GENERATED FROM INVESTING ACTIVITIES	569,798	1,280,581
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from other borrowings	—	20,000,000
Proceeds from issue of shares	35,296,715	—
Other financing cash flows	(575,143)	1,623,489
NET CASH FROM FINANCING ACTIVITIES	34,721,572	21,623,489
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	16,327,277	(16,179,701)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,322,143	19,585,536
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	23,838	(138,117)
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY Bank and cash balances	18,673,258	3,267,718

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Room 2401-2402, 24/F Jubilee Centre, 46 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. 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").

2. BASIS OF PREPARATION

These condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed financial statements should be read in conjunction with the 2014 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2014.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2015. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

As at 30 June 2015 and 31 December 2014, there were no assets and liabilities that were measured at fair value.

5. SEGMENT INFORMATION

The Group has two reportable segments as follows:

- Hotel operations (the sales of hotel membership cards, hotel management services income and rental income on a subleased premise are included in the hotel operation segment)
- Provision of hotel consultancy services

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The segment information for the reportable segments for the period is as follows:

	Hotel operations <i>HK\$</i> (Unaudited)	Provision of hotel consultancy services <i>HK\$</i> (Unaudited)	Total <i>HK\$</i> (Unaudited)
<i>Six months ended 30 June 2015:</i>			
Revenue from external customers	11,949,401	—	11,949,401
Segment loss	<u>(10,434,063)</u>	<u>—</u>	<u>(10,434,063)</u>
<i>Six months ended 30 June 2014:</i>			
Revenue from external customers	14,705,163	—	14,705,163
Segment loss	<u>(12,601,178)</u>	<u>—</u>	<u>(12,601,178)</u>

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

	Six months ended 30 June	
	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Unaudited)
Total loss of reportable segments	(10,434,063)	(12,601,178)
Unallocated corporate expenses, net	(6,920,843)	(2,918,872)
Finance income	388,826	39,855
Finance cost	(73,665)	(710,139)
Share of results of joint ventures	(1,977,800)	(2,504,410)
	<hr/>	<hr/>
Loss before tax for the period	(19,017,545)	(18,694,744)
	<hr/> <hr/>	<hr/> <hr/>

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Unaudited)
Finance cost on asset retirement obligations	72,180	90,525
Finance cost on finance lease liabilities	—	19,614
Interest on other loan wholly repayable within one year	—	600,000
Finance cost on bank overdrafts	1,485	—
	<hr/>	<hr/>
	73,665	710,139
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX CREDIT

	Six months ended 30 June	
	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Unaudited)
Current tax — Hong Kong Profits Tax		
Provision for the period	—	(280,900)
Over-provision in prior years	—	8,710,908
	<hr/>	<hr/>
	—	8,430,008
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong profits tax is provided at a rate of 16.5% (Six months ended 30 June 2014: 16.5%) on the estimated assessable profits for the period. No provision for Hong Kong profits tax since the Group has no assessable profit in Hong Kong during the period (Six months ended 30 June 2014: HK\$280,900).

The PRC corporate income tax is provided at the rate of 25% (Six months ended 30 June 2014: 25%) for the period. No provision for PRC enterprise income tax since the Group has no assessable profit in the PRC during the period (Six months ended 30 June 2014: HK\$Nil).

8. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging:

	Six months ended 30 June	
	2015	2014
	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Unaudited)
Loss on disposal of property, plant and equipment	115,219	—
Directors' remuneration	1,013,670	853,500
	<u>1,128,889</u>	<u>853,500</u>

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (Six months ended 30 June 2014: HK\$Nil).

10. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the period attributable to owners of the Company of HK\$19,017,545 (Six months ended 30 June 2014: HK\$10,264,736) and the weighted average number of ordinary shares of 311,845,415 (Six months ended 30 June 2014: 217,372,480) in issue during the period.

(b) Diluted loss per share

There was no dilutive potential ordinary shares for the Company's outstanding share options for the period (Six months ended 30 June 2014: nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired property, plant and equipment of HK\$345,148 (Six months ended 30 June 2014: HK\$33,030).

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The amounts of prepayments, deposits and other receivables are analysed as follows:

		30 June	31 December
		2015	2014
	<i>Notes</i>	HK\$	HK\$
		(Unaudited)	(Audited)
Non-current portion			
Prepayments for property, plant and equipment	<i>(a)</i>	23,843,947	24,169,069
Rental deposits		4,945,216	2,243,510
Prepaid operating lease	<i>(b)</i>	9,358,212	9,823,653
Other receivables		8,000,000	—
		<hr/> 46,147,375	<hr/> 36,236,232
Current portion			
Prepayments		756,546	1,403,949
Prepaid operating lease		865,820	865,805
Other receivables		12,472,305	25,570,153
		<hr/> 14,094,671	<hr/> 27,839,907
		<hr/> 60,242,046	<hr/> 64,076,139

Notes

- (a) These represented payments for construction costs for new office premise and budget hotels planned to be opened in the future.
- (b) The balance primarily represented the non-current portion of the operating lease payment paid to an independent third party in respect of the rental of a hotel premise in the PRC for a lease term of 15 years till 30 June 2026.

13. INTERESTS IN JOINT VENTURES

	30 June 2015 HK\$ (Unaudited)	31 December 2014 HK\$ (Audited)
Unlisted investments in Hong Kong:		
Share of net assets	4,853,800	6,831,600
Goodwill	6,797,484	6,797,484
	<u>11,651,284</u>	<u>13,629,084</u>
Impairment losses	(6,797,484)	(6,797,484)
	<u>4,853,800</u>	<u>6,831,600</u>

14. TRADE RECEIVABLES

The majority of the Group's revenue from hotel operations are made via credit cards or cash. Hotel rooms are rented to corporate customers with an appropriate credit history on credit terms of 30 days. For hotel consultancy services, the Group offers credit terms to external customers of 60 days upon acceptance of services by the customers.

	30 June 2015 HK\$ (Unaudited)	31 December 2014 HK\$ (Audited)
Trade receivables	14,529,316	12,798,345
Impairment	(5,072,651)	(5,056,412)
	<u>9,456,665</u>	<u>7,741,933</u>

The aging analysis of trade receivables is as follows:

	30 June 2015 <i>HK\$</i> (Unaudited)	31 December 2014 <i>HK\$</i> (Audited)
Neither past due nor impaired	<u>172,584</u>	<u>180,341</u>
0-30 days past due	677,441	505,878
31-60 days past due	238,378	226,905
61-90 days past due	212,509	212,248
91-120 days past due	212,320	554,225
121-365 days past due	2,087,833	2,415,042
Over 365 days past due	<u>5,855,600</u>	<u>3,647,294</u>
	<u>9,284,081</u>	<u>7,561,592</u>
	<u><u>9,456,665</u></u>	<u><u>7,741,933</u></u>

15. AMOUNTS DUE FROM JOINT VENTURES

Amounts due from joint ventures are interest-free, unsecured and repayable on demand. Amounts are denominated in RMB.

16. TRADE AND OTHER PAYABLES

	30 June 2015 <i>HK\$</i> (Unaudited)	31 December 2014 <i>HK\$</i> (Audited)
Trade payables	3,310,048	4,311,517
Accruals and other payables	<u>14,554,421</u>	<u>17,385,161</u>
	<u><u>17,864,469</u></u>	<u><u>21,696,678</u></u>

The aging analysis of trade payables is as follows:

	30 June 2015 HK\$ (Unaudited)	31 December 2014 HK\$ (Audited)
0-30 days	982,840	1,595,674
31-60 days	760,920	1,336,146
61-90 days	647,664	679,726
Over 90 days	918,624	699,971
	<u>3,310,048</u>	<u>4,311,517</u>

17. SHARE CAPITAL

	<i>Notes</i>	Number of shares (Unaudited)	Amount HK\$ (Unaudited)
<i>Authorised:</i>			
Ordinary shares of HK\$0.01 (31 December 2014: HK\$0.01) each At 30 June 2015 and 31 December 2014		780,000,000	7,800,000
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.01 (31 December 2014: HK\$0.01) each			
At 1 January 2015		261,770,001	2,617,701
Issue of share upon placing	(a)	52,300,000	523,000
Issue of shares upon exercise of share options		750,000	7,500
At 30 June 2015		<u>314,820,001</u>	<u>3,148,201</u>

Note:

- (a) On 22 December 2014, the Company and Emperor Securities Limited entered into a placing agreement in respect of the placement of 52,300,000 ordinary shares of HK\$0.01 each to independent investors at a price of HK\$0.66 per share. The placement was completed on 9 January 2015 and the premium on the issue of shares amounting to HK\$33,407,215 was credited to the Company's share premium account.

18. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the condensed financial statements, the Group had the following transactions with its related parties during the period:

	Six months ended 30 June	
	2015	2014
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Management fee income received from joint ventures		
— Sanya Welcomeinn Waterfront Tourism Limited	338,532	444,176
— Sanya Welcomeinn Jinhua Tourism Limited	160,445	705,201
	<u> </u>	<u> </u>

19. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2015 (31 December 2014: HK\$Nil).

20. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	30 June	31 December
	2015	2014
	HK\$	HK\$
	(Unaudited)	(Audited)
Contracted but not provided for		
— Property, plant and equipment	2,954,960	2,954,960
	<u> </u>	<u> </u>

21. OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2015 HK\$ (Unaudited)	31 December 2014 <i>HK\$</i> (Audited)
Within one year	12,281,599	11,370,376
In the second to fifth years inclusive	39,903,814	42,523,234
After five years	52,190,201	54,526,630
	<hr/> 104,375,614 <hr/>	<hr/> 108,420,240 <hr/>

22. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the Board of Directors on 28 August 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE OF CONTROLLING SHAREHOLDERS

On 4 June 2015, China Medical Overseas Limited (the “China Medical”) and the Company jointly announced that the China Medical entered into share purchase agreement (the “Agreement”) with sellers to purchase an aggregate of 102,576,466 shares of the Company, representing approximately 32.66% of the total issued shares of the Company, for a total cash consideration of HK\$156,941,992.98 (equivalent to HK\$1.53 per share). Completion of the Agreement took place on 24 June 2015. Pursuant to Rule 26.1 of the Takeovers Code, the China Medical required to make a mandatory unconditional cash offer to acquire all the issued shares of the Company at an offer price of HK\$1.53 per offer share (the “Offer”).

The Offer was closed on 27 July 2015.

BUSINESS AND OPERATIONAL REVIEW

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 2015, 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\$11,949,401 during the six months ended 30 June 2015, representing an decrease of 18.74% as compared with segment revenue of HK\$14,705,163 for the same period of the last financial year. Segment revenue decrease was due to the increase of competition in hotel industry in the PRC and therefore the average room revenue has been decreased to RMB124.6 for the six months ended 30 June 2015 from RMB150.4 for the same period of last financial year, representing a decrease of approximately 17.15%.

The average occupancy rate decreased significantly from 89.0% for the first half of 2014 to 72.32% for the six months ended 30 June 2015. The decrease was due to the decrease of orders from online reservation. The revenue from hotel management services was HK\$965,578 during the six months ended 30 June 2015 (during the six months ended 30 June 2014: HK\$1,714,427), it was generated from the provision of hotel management services for Welcomeinn Daimeisha hotel, Welcomeinn Foshan hotel, Welcomeinn Sanya Waterfront Hotel and Welcomeinn Sanya Jiuhua Hotel.

Due to the rapid change in hospitality industry in the PRC, the Company decides to sell some of new hotels under constructions and concentrate to operate the existing hotels in Shenzhen City. The following are the hotels which are planning to be sold or subletted to other investors:

- 1) The Xiachong Hotel, located in the North of Xiachong Fairground, Daya Bay district, Huizhou City, Guangdong Province, the PRC, was expected to finish refurbishment in 2013 but due to the changing of floor plan, the commencement of operation was delayed until further notice.
- 2) The Changping hotel is located at Changping district, Dongguan City, Guangdong Province, the PRC (the “Changping Hotel”). As the declining of hospitality in Dongguan City, the Group has slowdown the construction and planned to sell the Changping Hotel this year.

The following are the hotels which are expected to commence this year.

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 2015.

The Group confirmed a location in Buji, Longgang district, Shenzhen City, Guangdong Province, the PRC, to develop a leased-and-operated hotel (the “Buji Hotel”). The Buji Hotel is currently waiting for the approval of business license for operation.

The Group confirmed a location in Yuexiu district, Guangzhou City, Guangdong Province, the PRC to develop a leased-and-operated hotel (the “Yuexiu Hotel”). The Group decides to develop a budget hip hotel in major city in the PRC to avoid the uncertainty of economy in local area. The Yuexiu Hotel is under construction and development stage and is expected to commence operation in second half of 2015.

Future Development and Outlook for Hotel Operations

The Group decides to maintain the number of hotels in the PRC due to the uncertainty of economic situation and increasing of competition in hospitality industry. Moreover, the Group will start to look for other investment opportunities in the PRC to diversity the risk and increase the shareholders' values.

Hotel Consultancy Services

For the six months ended 30 June 2015, there is no revenue generated from the provision of hotel consultancy services. As uncertainties prevail within the hotel business in the PRC, the Directors believe that the Group would consider to slowdown the business in hotel consultancy services until the investors reconsider to invest in hotel business in the PRC.

FINANCIAL REVIEW

For the six months ended 30 June 2015, the Group recorded a turnover of HK\$11,949,401, compared with HK\$14,705,163 of the corresponding period in the last financial year, representing an decrease of approximately 18.74%. The Group recorded a total comprehensive loss of HK\$18,974,063 for the six months ended 30 June 2015 compared with a total comprehensive loss of HK\$11,041,522 for the same period of the last financial year.

The total comprehensive loss for the six months ended 30 June 2015 which is greater than the total comprehensive loss for the same period of the last financial year 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) an adjusting for one-off income tax credit of HK\$8,430,008 which has reduced the loss for the six months ended 30 June 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 2014 and 2015.

	For six months ended 30 June	
	2015	2014
Total available room nights	56,509	56,897
Occupancy rate	72.3%	89.0%
ARR* (RMB)	172.3	169.5
RevPAR# (RMB)	124.6	150.4

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

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

Operating Costs

During the six months ended 30 June 2015, total operating costs decreased by approximately 4.27% to HK\$29,306,715 for the six months ended 30 June 2015 from HK\$30,613,960 for the six months ended 30 June 2014. Such a decrease was mainly due to (i) the decrease in employee benefit expenses by deployment of some employees in the PRC and (ii) the decrease in other operating expenses from HK\$11,529,150 for the six months ended 30 June 2014 to HK\$8,236,323 for the six months ended 30 June 2015 due to the adoption of the cost saving strategy for the first six months of 2015. However, such a decrease in operating costs was partially offset by an increase in operating lease expenses for the first half of 2015.

The following table shows the total operating costs for the six months ended 30 June 2014 and 2015:

	Six months ended 30 June	
	2015	2014
	HK\$	HK\$
Operating lease expenses	10,285,277	9,119,336
Depreciation of property, plant and equipment	4,000,836	3,078,877
Employee benefit expenses	5,859,443	6,090,711
Utilities	924,836	795,886
Other operating expenses	8,236,323	11,529,150
	<u>29,306,715</u>	<u>30,613,960</u>

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the six months ended 30 June 2015, the Group mainly financed its operations and expansion with its own working capital generated internally and fund raising activities.

As at 30 June 2015, the Group had bank balances and cash of HK\$18,673,258 (31 December 2014 (audited): HK\$2,322,143).

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 2015 is nil (31 December 2014 (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 30 June 2015 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 2015.

CHARGES ON GROUP ASSETS

The Group had no charges on Group's Assets.

FOREIGN EXCHANGE RISK

For the six months ended 30 June 2015, 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 9 January 2015, the Company has issued and allotted a total of 52,300,000 new ordinary shares at placing price of HK\$0.66 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 2015. The total number of the issued shares of the Company was 314,820,001 as at 30 June 2015.

DIVIDENDS

The Directors do not recommend payment of an interim dividend in respect of the six months ended 30 June 2015.

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 101 employees (31 December 2014: 126 employees) as at 30 June 2015. 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.

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

Save as the placing of shares on 9 January 2015, details of which has announced by announcements on 22 December 2014 and 9 January 2015 and mandatory unconditional cash offers, details of which has announced by joint announcements on 25 June 2015, 13 July 2015 and 27 July 2015 and joint composite documents dated 25 June 2015, 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 2015.

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 2015.

CORPORATE GOVERNANCE

The Company is committed to ensure a high standard of corporate governance in the interests of the shareholders and devotes considerable effort to maintain high level of business ethics and corporate governance practices. The Company has complied with the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2015. The Company has applied the principles of, and complied with, the applicable code provisions of the CG Code during the six months ended 30 June 2015, except for certain deviations as specified with considered reasons for such deviations as explained below.

Under Code Provision of A.2.1 of the CG Code, the role of the chairman and chief executive officer should be separated and should not be performed by the same individual. The post of Chairman and Chief Executive Officer are separated to ensure a clear division between the Chairman’s responsibility to manage the Board and the Chief Executive Officer’s responsibility to manage the Company’s business. The separation ensures a balance of power and authority so that power is not concentrated.

During the six months ended 30 June 2015, the Company did not have a chief executive officer. The chief executive officer’s duties have been undertaken by the members of the Board.

Subsequent to the resignation from Mr. Fong Man Kelvin as the chairman of the Company on 27 July 2015 and up to the date hereof, no individual was appointed as chairman of the Company. The role of the chairman has been performed collectively by all executive directors of the Company.

The Board considers this arrangement allows contributions from all directors with different expertise and is beneficial to the continuity of the Company’s policy and strategies and the interest of the shareholders of the Company as a whole.

Nevertheless, the Company will continue to look for suitable candidates and will make necessary arrangement pursuant to the requirement under A.2.1 of CG Code as and when necessary.

Meanwhile, according to code provision A.6.7 of CG Code, it is encouraged all directors (not just Independent Non-executive Directors and Non-executive Directors) to attend general meetings. At the said meeting, all the Independent Non-executive Directors were presented to enable the Board to develop a balanced understanding of the views of the shareholders of the Company, except Mr. Frostick Stephen William who is unable to attend the Extraordinary General Meeting due to other business commitments.

The Company will arrange to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule that all Directors can attend the general meetings in order to develop a balanced understanding of the views of shareholders.

The Board will continue to review the corporate governance status of the Company from time to time and make any necessary changes to comply with the CG Code as and when considered appropriate.

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, and the Directors have confirmed compliance with this code of conduct during the six months ended 30 June 2015.

AUDIT COMMITTEE REVIEW

The Group has an Audit Committee which was established for the purposes of including but not limited to reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises three Independent Non-executive Directors. Mr. Leung Siu Hong 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 2015 with the management of the Company.

REVIEW OF INTERIM RESULTS

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2015 has been reviewed by ZHONGHUI ANDA CPA Limited, the auditor 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 2015.

By Order of the Board
Legend Strategy International Holdings Group Company Limited
Huang Yun
Executive Director

Hong Kong, 28 August 2015

As at the date hereof, the Board comprised:

Executive Directors:

Mr. Huang Yun
Mr. Law Fei Shing

Independent Non-executive Directors:

Mr. Tso Hon Sai, Bosco
Mr. Leung Siu Hong
Mr. Chung Wai Man