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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 2016

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 2016 together with the comparative unaudited figures for the corresponding period in 2015 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	<i>Notes</i>	Six months ended 30 June	
		2016	2015
		HK\$	HK\$
		(Unaudited)	(Unaudited)
Revenue	5	8,524,044	11,949,401
Operating lease expenses		(5,793,811)	(10,285,277)
Depreciation of property, plant and equipment		(1,161,073)	(4,000,836)
Employee benefit expenses		(9,622,464)	(5,859,443)
Utilities		(634,424)	(924,836)
Other operating expenses		(9,288,486)	(8,236,323)
Written off of prepaid operating leases		(9,256,946)	—
Provision of other receivables		(18,700,000)	—
Written off of property, plant and equipment		(29,846,967)	—
Other income		1,033,530	391,234
Operating loss		(74,746,597)	(16,966,080)
Finance costs	6	(596,170)	(73,665)
Share of results of joint ventures		—	(1,977,800)
Loss before tax		(75,342,767)	(19,017,545)
Income tax credit	7	—	—
Loss for the period attributable to owners of the Company	8	(75,342,767)	(19,017,545)
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		130,516	43,482
Other comprehensive income for the period, net of tax		130,516	43,482
Total comprehensive loss for the period attributable to owners of the Company		(75,212,251)	(18,974,063)
Loss per share	10		
Basic and diluted (Hong Kong cents)		(19.15)	(6.10)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		30 June 2016	31 December 2015
	<i>Notes</i>	<i>HK\$</i> (Unaudited)	<i>HK\$</i> (Audited)
Non-current assets			
Property, plant and equipment	<i>11</i>	11,834,911	42,078,650
Deposits	<i>12</i>	23,988,000	—
Rental deposits	<i>12</i>	3,806,493	3,493,002
Prepaid operating leases	<i>12</i>	—	8,406,356
Other receivables	<i>12</i>	—	2,000,000
Other asset		2,880,000	1,440,000
Deferred income tax assets		1,186,137	1,186,137
		43,695,541	58,604,145
Current assets			
Trade receivables	<i>13</i>	66,031	262,600
Prepayments, deposits and other receivables	<i>12</i>	45,635,291	19,180,638
Bank and cash balances		9,571,802	47,612,022
		55,273,124	67,055,260
Current liabilities			
Convertible bonds	<i>14</i>	47,687,668	—
Trade and other payables	<i>15</i>	9,501,687	12,966,339
Current income tax liabilities		1,443,619	1,366,219
		58,632,974	14,332,558
Net current (liabilities)/assets		(3,359,850)	52,722,702
Total assets less current liabilities		40,335,691	111,326,847

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	30 June	31 December
	2016	2015
<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Audited)
Non-current liabilities		
Provision for asset retirement	<u>3,878,760</u>	<u>3,959,157</u>
NET ASSETS	<u>36,456,931</u>	<u>107,367,690</u>
EQUITY		
Capital and reserves attributable to the owners of the Company		
Share capital	3,935,250	3,935,250
Reserves	<u>32,521,681</u>	<u>103,432,440</u>
TOTAL EQUITY	<u>36,456,931</u>	<u>107,367,690</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

		Attributable to owners of the Company									
		Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserve	Share-based payment reserve	Other reserve	Shareholder's contributions	Accumulated losses	Total
Note		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
				(Note a)							
	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>—</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>
	At 1 January 2016 (Audited)	3,935,250	204,694,080	—	2,373,730	1,742,763	—	8,020,110	20,751,024	(134,149,267)	107,367,690
	Total comprehensive loss for the period	—	—	—	130,516	—	—	—	—	(75,342,767)	(75,212,251)
	Issue of convertible notes	—	—	4,385,040	—	—	—	—	—	—	4,385,040
	Issue cost of convertible notes	—	—	(83,548)	—	—	—	—	—	—	(83,548)
	At 30 June 2016 (Unaudited)	<u>3,935,250</u>	<u>204,694,080</u>	<u>4,301,492</u>	<u>2,504,246</u>	<u>1,742,763</u>	<u>—</u>	<u>8,020,110</u>	<u>20,751,024</u>	<u>(209,492,034)</u>	<u>36,456,931</u>

Note:

(a) The capital reserve represents the equity component of the convertible notes issued by the Company.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	HK\$	HK\$
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(61,884,031)	(18,964,093)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposit paid for proposed acquisition of a hotel	(23,988,000)	—
Other investing activities	(2,588,714)	569,798
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	(26,576,714)	569,798
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	—	35,296,715
Net proceeds from issue of convertible bonds	50,000,000	—
Other financing activities	—	(575,143)
NET CASH FROM FINANCING ACTIVITIES	50,000,000	34,721,572
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(38,460,745)	16,327,277
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	47,612,022	2,322,143
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	420,525	23,838
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY		
Bank and cash balances	9,571,802	18,673,258

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 3006-10, 30/F., China Resources Building, 26 Harbour 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 in the People's Republic of China (the "PRC").

2. GOING CONCERN

During the six months ended 30 June 2016, the Group incurred a loss of HK\$75,342,767 (30 June 2015: loss of HK\$19,017,545). As at 30 June 2016, the Group's net current liabilities and cash and cash equivalents balance were HK\$3,359,850 (31 December 2015: net current assets of HK\$52,722,702) and HK\$9,571,802 (31 December 2015: HK\$ 47,612,022) respectively. The decrease in liquidity was mainly attributable to a refundable earnest payment for receiving proposals for proposed enhancements made for existing budget hotels and a refundable deposit paid for a proposed acquisition of a hotel in the PRC.

In order to improve the Group's operating performance and alleviate its liquidity risk, management is implementing measures to control costs and contain capital expenditures. Further investments in hotel operations will be made only when the Group has sufficient financial resources after meeting its day-to-day working capital and other capital commitment requirements.

The Company's directors have reviewed the Group's cash flow projections. The cash flow projections cover a period of twelve months from the date of approval of these condensed financial statements. In the opinion of the directors, based on these cash flow projections and in light of the above, the Group will have sufficient financial resources in the coming twelve months to meet its financial obligations as and when they fall due. Accordingly, the directors are satisfied that it is appropriate to prepare the condensed financial statements on a going concern basis.

3. 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 2015 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 2015.

4. 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 2016. 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.

5. SEGMENT INFORMATION

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

	Hotel operations	Total
	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Unaudited)
<i>Six months ended 30 June 2016:</i>		
Revenue from external customers	8,524,044	8,524,044
Segment loss	<u>(58,510,429)</u>	<u>(58,510,429)</u>
<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>(10,434,063)</u>

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

	Six months ended 30 June	
	2016	2015
	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Unaudited)
Total loss of reportable segments	(58,510,429)	(10,434,063)
Unallocated corporate expenses, net	(16,238,519)	(6,920,843)
Finance income	2,351	388,826
Finance cost	(596,170)	(73,665)
Share of results of joint ventures	—	(1,977,800)
Loss before tax for the period	<u>(75,342,767)</u>	<u>(19,017,545)</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Finance cost on asset retirement obligations	92,018	72,180
Finance cost on bank overdrafts	—	1,485
Imputed interest costs on convertible notes	504,152	—
	<u>596,170</u>	<u>73,665</u>

7. INCOME TAX CREDIT

	Six months ended 30 June	
	2016	2015
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Current tax	—	—

Hong Kong profits tax is provided at a rate of 16.5% (Six months ended 30 June 2015: 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 2015: HK\$Nil).

The PRC corporate income tax is provided at the rate of 25% (Six months ended 30 June 2015: 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 2015: HK\$Nil).

8. LOSS BEFORE TAX

The Group's loss for the period is arrived at after (crediting)/charging:

	Six months ended 30 June	
	2016	2015
	HK\$	HK\$
	(Unaudited)	(Unaudited)
(Gain)/Loss on disposal of property, plant and equipment	(611)	115,219
Written off of prepaid operating lease expenses (<i>Note 1</i>)	9,256,946	—
Provision of other receivables	18,700,000	—
Written off of rental deposit*	520,852	—
Written off of property, plant and equipment (<i>Note 2</i>)	29,846,967	—
Directors' remuneration	1,058,000	1,013,670
	<u>1,058,000</u>	<u>1,013,670</u>

Notes:

1. During the six months ended 30 June 2016, the written off of prepaid operating lease expenses of HK\$9,256,946 (six months ended 30 June 2015: HK\$nil) mainly represents write off as a result of the termination of a hotel.
2. During the six months ended 30 June 2016, construction in progress of HK\$29,846,967 (six months ended 30 June 2015: HK\$nil) were written off as a result of the termination of development of two hotels.

* This item is included in "Other operating expenses" of the condensed consolidated statement of profit or loss.

9. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (Six months ended 30 June 2015: 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 approximately HK\$75,342,767 (Six months ended 30 June 2015: HK\$19,017,545) and the weighted average number of ordinary shares of 393,525,000 (Six months ended 30 June 2015: 311,845,415) in issue during the period.

(b) Diluted loss per share

There was no dilutive potential ordinary shares outstanding for the period (Six months ended 30 June 2015: nil). Accordingly, the diluted loss per share is same as basic loss per share for both periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired property, plant and equipment of approximately HK\$1,156,044 (Six months ended 30 June 2015: HK\$345,148).

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

		30 June	31 December
		2016	2015
	<i>Notes</i>	HK\$	HK\$
		(Unaudited)	(Audited)
Non-current portion			
Deposit for acquisition of a hotel	<i>(a)</i>	23,988,000	—
Rental deposits		3,806,493	3,493,002
Prepaid operating lease		—	8,406,356
Other receivables		—	2,000,000
		<hr/> 27,794,493	<hr/> 13,899,358
Current portion			
Prepayments		1,448,196	1,521,287
Prepaid operating lease		—	850,589
Other receivables	<i>(b)</i>	44,187,095	16,808,762
		<hr/> 45,635,291	<hr/> 19,180,638
		<hr/> 73,429,784	<hr/> 33,079,996

Notes:

- (a) This represented deposit paid for proposed acquisition of 51% interest in a hotel.
- (b) Included in the other receivables consist of a refundable earnest payment of HK\$44,000,000 for receiving proposals for proposed enhancements for the PRC budget hotels.

13. TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

	30 June 2016 HK\$ (Unaudited)	31 December 2015 HK\$ (Audited)
Neither past due nor impaired	<u>26,170</u>	<u>242,976</u>
0-30 days past due	23,649	—
31-60 days past due	—	11,240
61-90 days past due	810	1,176
91-120 days past due	—	568
121-365 days past due	<u>15,402</u>	<u>6,640</u>
	<u>39,861</u>	<u>19,624</u>
	<u>66,031</u>	<u>262,600</u>

14. CONVERTIBLE BONDS

The convertible bonds (the “Bonds”) were issued on 14 June 2016. The Bonds are convertible into ordinary shares of the Company at any time between the date of issue of the Bonds and the business day immediately prior to the maturity date (i.e. one year from the date of issue of the Bonds or if such date is not a business day, the next business day). The Bonds were convertible to 54,838,708 shares per HK\$0.93 bond.

If the Bonds have not been converted, the Company will pay to the holders of the Bonds an amount equal to the aggregate of (i) 100% of the principal amount of the Bonds outstanding; (ii) interest accrued and outstanding pursuant to terms and conditions of the Bonds; and (iii) a premium of 7% per annum of the principal amount of the Bonds outstanding. Interest of 8 per cent will be paid annually up until that the business day immediately prior to the maturity date (i.e. one year from the date of issue of the Bonds or if such date is not a business day, the next business day).

If the maturity date is extended or postponed pursuant to the terms and conditions of the Bonds, upon maturity of the Bonds on such extended maturity date, the Company will pay to the holders of the Bonds an amount equal to the aggregate of (i) 100% of the principal amount of the Bonds outstanding; (ii) interest accrued and outstanding pursuant to the terms and conditions of the Bonds; and (iii) a premium of 15% of the principal amount of the Bonds outstanding.

The net proceeds received from the issue of the Bonds have been split between the liability element and an equity component, as follows:

	30 June 2016 HK\$
Fair value of the Bonds issued	52,485,008
Total issue cost	(1,000,000)
Issue cost (equity component)	83,548
Equity component	(4,385,040)
	<hr/>
Liability component at date of issue	47,183,516
Interest charged (<i>Note 6</i>)	504,152
	<hr/>
Liability component at 30 June 2016	47,687,668
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The interest charged for the year is calculated by applying an effective interest rate of 24 per cent to the liability component.

Mr. Ding Yifan, the controlling shareholder of the Company, guaranteed the due payment of all sums expressed to be payable by the Company under the terms and conditions of the Bonds and pursuant to a personal guarantee given by Mr. Ding Yifan.

15. TRADE AND OTHER PAYABLES

	30 June 2016 HK\$ (Unaudited)	31 December 2015 HK\$ (Audited)
Trade payables	2,652,290	2,124,015
Accruals and other payables	6,849,397	10,842,324
	<hr/>	<hr/>
	9,501,687	12,966,339
	<hr/> <hr/>	<hr/> <hr/>

The aging analysis of trade payables is as follows:

	30 June	31 December
	2016	2015
	HK\$	HK\$
	(Unaudited)	(Audited)
0-30 days	980,182	729,766
31-60 days	511,370	379,780
61-90 days	235,556	266,170
Over 90 days	925,182	748,299
	2,652,290	2,124,015

16. 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	
	2016	2015
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Management fee income received from joint ventures		
— Sanya Welcomeinn Waterfront Tourism Limited	—	338,532
— Sanya Welcomeinn Jinhua Tourism Limited	—	160,445

17. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 30 June 2016 (At 31 December 2015: HK\$Nil).

18. CAPITAL COMMITMENTS

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

	30 June 2016 <i>HK\$</i> (Unaudited)	31 December 2015 <i>HK\$</i> (Audited)
Contracted but not provided for		
— Property, plant and equipment	60,190	—
— Other asset	—	1,440,000
	<hr/> 60,190 <hr/>	<hr/> 1,440,000 <hr/>

19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The condensed financial statements were approved and authorised for issue by the Board of Directors on 26 August 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONAL REVIEW

Business and operational review

The Group is principally engaged in budget hotel operations. For the six months ended 30 June 2016, the Group has 3 leased-and-operated hotels under operation.

Hotel Operations

Revenue from hotel operations mainly included the sales of hotel rooms and hotel membership cards. Revenue was HK\$8,524,044 during the six months ended 30 June 2016, representing a decrease of 28.7% as compared with revenue of HK\$11,949,401 for the same period of the last financial year.

In view of the difficult business environment for the three budget hotels, the management concentrated to operate the existing hotels in Shenzhen City so as to achieve the primary goal of break-even. During the period ended 30 June 2016, the Group had ceased its investments in Buji Hotel (located in Buji, Longgang District, Shenzhen City) and Huizhou Hotel (located in Huicheng District, Huizhou City). The Group was of the view that they would be exposed to enormous risk to invest in new hotels as the surge in supply of budget hotels in the PRC has led to a saturated market, while the demand was depressed due to the slowdown economy. Furthermore, it also required considerable additional investment to commence the operation of a new hotel.

On the other hand, as mentioned in the Company's announcement on 21 April 2016, the Group has entered into a memorandum of understanding in relation to the proposed acquisition of a 51% interests in a hotel which is located in Sichuan Province, the PRC. This possible acquisition will be in line with the Group's intention to achieve breakthroughs in the long term depression of budget hotel business and eventually bring returns to shareholders, in the event it materializes. The Group will continue to look for investment and enhancement opportunities and exploring new hotel business in the PRC, Hong Kong or overseas, so as to optimize the overall hotel assets structure and improve efficiency.

HOTELS UNDER OPERATION

Nanshan Hotel

Nanshan Hotel located at Nanshan Road, with 192 rooms. As a flagship hotel of the group, it contributed the majority of turnover of the Group. For the six months ended 30 June 2016, the turnover of Nanshan Hotel has increased by approximately 9.1%. As the nearby subway station has been opened in late June 2016 with panels of the subway construction project which obstructed the portal of the hotel gradually decreased, the appearance of the hotel has improved, and as some of the renovation projects of the hotel will be completed shortly, it will attract more guests and boost the amounts of turnover. As a result, it is expected that better performance will be recorded in the foreseeable future in this hotel.

Luohu Hotel

Luohu Hotel is located at the thriving financial center of Luohu District in Shenzhen, which enjoys convenient transport access (only about 5 minutes' driving distance to Luohu Checkpoint and Convention and Exhibition Center), and occupies the high traffic location in Shenzhen, but part of the revenue is relying on domestic travellers making short trips to Hong Kong. The implementation of one-visit-one-week policy by the Hong Kong Government has continuously cast adverse impact on Luohu Hotel, losses continued to be recorded during the period as a result. Turnover decreased by approximately 15.6% during the period in this hotel. As Luohu Hotel is on the superior site which guarantees the customer base to a certain degree, the Group will adjust its market strategies to achieve break-even.

Baoan Hotel

Baoan Hotel is located in Baoan District of Shenzhen, which, on a geographical and environmental basis, situates at a less prime location. As a vacant lot nearby is under construction, which has an influence on the hotel in terms of appearance and noise, the turnover decreased by approximately 2.4% as compared with the last period of the financial year. In addition, some new hotels in the same district commenced operation during the period, the competition within the district is likely to be more fierce, and the Group estimates the operation of this hotel would be faced with great challenge.

JOINT VENTURE HOTELS

Sanya Waterfront Hotel and Sanya Jinhua Hotel

The Group continued to own two joint venture companies and holds 60% interests in each of them. Each of the joint venture companies establishes a wholly-owned subsidiary named Welcomeinn Sanya Waterfront Hotel and Welcomeinn Sanya Jinhua Hotel, respectively to conduct the business of hotel operation in Sanya, the PRC.

The management has made full provision for the investment and loans to these two Sanya hotels during the past year, and no further contributions was made into them during the recent period. The Group will consider exiting or disposing these joint venture companies in the near future.

HOTELS UNDER CONSTRUCTION

As mentioned above, given that the other three budgets hotels were in difficult business environment, the management estimated that it would be difficult for Buji Hotel and Huizhou Hotel to bring reasonable return to the shareholders, and may even cause additional loss to the Group. It was not in the best interest of the shareholders to continue investing in these two new hotels, the Group has ceased these hotels and a write-off for the preliminary investment in such hotels was made, and terminated the leasing agreements with the landlords, so as to reduce the risk exposure of the Group.

FINANCIAL REVIEW

For the six months ended 30 June 2016, the Group recorded a turnover of HK\$8,524,044, compared with HK\$11,949,401 of the corresponding period in the last financial year, representing a decrease of approximately 28.7%. The Group recorded a total comprehensive loss of HK\$75,212,251 for the six months ended 30 June 2016 compared with a total comprehensive loss of HK\$18,974,063 for the same period of the last financial year.

The total comprehensive loss for the six months ended 30 June 2016 further increased mainly due to the following factors:

1. The Group has made a provision of HK\$18,700,000 on an other receivable during the period ended 30 June 2016. It represented the refund of prepayments for property, plant and equipment due to the termination of developments of two hotels in 2014. The Group has adopted a series of measures to collect the refund, but the Group considered that it is difficult to collect the remaining amounts, and provision was made as a result. The Group will continue to chase for the remaining payment.
2. During the period ended 30 June 2016, the Group has also written off on the prepaid operating lease. It related to 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 until 30 June 2026. The Group estimated that it is difficult to bring reasonable returns to shareholders after its assessment. The Group also attempted to find suitable new lessee to transfer the lease agreement but failed, hence the Group has terminated the leasing agreement with the property lessor and has written off for relevant amounts.
3. Save as disclosed above, the Group has terminated the investment in Buji Hotel and Huizhou Hotel during the period ended 30 June 2016, and a write off of HK\$29,846,976 for construction in progress was provided therefore.

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 2015 and 2016.

	For six months ended 30 June	
	2016	2015
Total available room nights	56,371	54,675
Occupancy rate	73.5%	78.7%
ARR* (RMB)	175.1	174.5
RevPAR# (RMB)	128.7	137.3

* 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

The total operating costs decreased by HK\$2,806,457, or approximately 9.6%, from HK\$29,306,715 for the last period to HK\$26,500,258 for the six months ended 30 June 2016. The decrease in operating expenses are due to the adoption of cost saving approach. Of which operating lease expenses decreased by HK\$4,491,466 mainly due to the termination of the leases in Buji Hotel and Huizhou Hotel. Depreciation decreased by HK\$2,839,763 as numerous property, plant and equipment were written off from last financial period.

The following table shows the total operating costs for the six months ended 30 June 2015 and 2016:

	For six months ended 30 June	
	2016	2015
	HK\$	HK\$
Operating lease expenses	5,793,811	10,285,277
Depreciation of property, plant and equipment	1,161,073	4,000,836
Employee benefit expenses	9,622,464	5,859,443
Utilities	634,424	924,836
Other operating expenses	9,288,486	8,236,323
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FINANCE COSTS

The finance costs increased by HK\$522,505 to HK\$596,170 as compared with the six months ended 30 June 2015. It mainly represented the interest expenses for the convertible bonds.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the six months ended 30 June 2016, the Group mainly financed its operations and expansion with its own working capital generated internally and fund raising activities.

As at 30 June 2016, the Group had bank balances and cash of HK\$9,571,802 (31 December 2015: HK\$47,612,022). Gearing ratio is calculated as the amount of interest-bearing borrowings divided by total equity. The gearing ratio as of 30 June 2016 is 130.8% (31 December 2015: Nil), as placing of convertible bonds was completed during the six months ended 30 June 2016.

The Group was in net current liabilities position of HK\$3,359,850 for the six months ended 30 June 2016. It is expected the Group's investment in production of a TV drama series will start to generate positive cash flow and improve the liquidity and financial position of the Group.

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

As mentioned in the Company's announcement on 21 April 2016, the Group has entered into a memorandum of understanding in relation to the proposed acquisition of a 51% interests in a hotel which located in Sichuan Province, the PRC. The Group has made the first deposit payment of approximately HK\$23,988,000 in mid of May 2016. Further payments will be made when the deal is finally completed.

Save as disclosed above and in the Company's announcement, there was no other material investment held, acquisition or disposal made by the Group during the six months ended 30 June 2016.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2016, the Group had no material contingent liabilities (31 December 2015: approximately HK\$1,440,000, which primarily related to the investment in production of TV drama series).

CHARGES ON ASSETS

As at 30 June 2016, the Group did not have any charges on its assets (31 December 2015: Nil).

FOREIGN EXCHANGE RISK

For the six months ended 30 June 2016, the Group's majority of the assets and liabilities, and 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

There was no material change in the capital structure of the Group during the six months ended 30 June 2016. The total number of the issued shares of the Company was 393,525,000 as at 30 June 2016 (2015: 393,525,000).

DIVIDENDS

The Directors do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

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 84 employees (31 December 2015: 86 employees) as at 30 June 2016. 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 convertible bonds, details of which were announced by the Company's announcements on 25 May 2016 and 14 June 2016, 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 2016.

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 2016.

USE OF PROCEEDS IN FUND RAISING ACTIVITIES

On 28 August 2015, the Company entered into the underwriting agreement with Sheng Yuan Securities Limited (the "Underwriter"), pursuant to which the Underwriter agreed to underwrite the Offer Shares, being not less than 38,404,383 shares and not more than 39,829,383 shares according to the terms of the underwriting agreement. The underwriting was completed on 16 October 2015 with the subscription price at HK\$0.80 per share in cash. The proceeds raised would be applied as investment funds and general working capital of the Group. The following is a summary of the use of proceeds for the amount of HK\$63,000,000 after the placing of the shares.

2016
HK\$

Utilised general working capital	34,200,000
Utilised investing activities	26,870,000
Cash	1,930,000
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Total	63,000,000
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In addition, on 25 May 2016, the Company entered into a placing agreement with Sheng Yuan Securities Limited (the “Placing Agent”), pursuant to which the Company has conditionally agreed to issue and the Placing Agent has conditionally agreed to procure, on a best effort basis, not less than six Placées to subscribe for the Convertible Bonds with an aggregate principal amount of up to HK\$51,000,000 at the Placing Price, conversion price of HK\$0.930 per share. The Placing was completed on 14 June 2016. The proceeds raised would be applied as general working capital and financing the Group’s potential acquisitions opportunities as and when appropriate.

The following is a summary of the use of proceeds for the amounts of approximately HK\$50,000,000 (after deduction of 2% for the commission for the placing agent) after the placing of the Convertible Bonds:

2016
HK\$

Hotel investment and enhancement fund	44,000,000
Cash	6,000,000
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Total	50,000,000
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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 2016. 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 2016, 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 2016, the Company did not have a chief executive officer. The chief executive officer's duties have been undertaken by all Executive Directors of the Company.

During the six months ended 30 June 2016, the Company did not have a chairman of the Company. The role of the chairman has been performed collectively by the Board 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.

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 2016.

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, internal controls and risk management system. 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 of the Group, including the review of the unaudited interim results for the six months ended 30 June 2016 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 2016 has been reviewed by ZHONGHUI ANDA CPA Limited, the auditor of the Company.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

For the period ended 30 June 2016 and up to the date of this announcement, the Directors are not aware of any business or interest of the Directors, the management of the Company and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

UPDATE ON LITIGATION

On 8 January 2016 the Company received a Writ of Summons endorsed with a Statement of Claim (the "Statement of Claim") dated 8 January 2016 (the "Writ") issued by Fu Tat Credit Limited (the "Plaintiff") as plaintiff in the High Court of the Court of First Instance of the Hong Kong Special Administrative Region, with Mr. Fong Man Kelvin ("Mr. Fong") named as the 1st Defendant and the Company as the 2nd Defendant (subsequently becoming the fifth defendant pursuant to an amended Writ of Summons), in respect of an alleged loan arrangement made between the Plaintiff, Mr. Fong and the Company on 6 October 2014. At the relevant time, Mr. Fong was the controlling shareholder (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")), the chairman and executive director of the Company. Mr. Fong disposed of all his interest in the Company on or about 29 May 2015 and resigned as the chairman, executive director, authorised representative and compliance officer of the Company on 27 July 2015. Mr. Fong, however, has remained as a director of two joint ventures of the Company.

It was stated in the Statement of Claim that the Plaintiff, as a licensed money lender under the Money Lenders Ordinance (Chapter 163 of the laws of Hong Kong), had entered into a loan agreement with Mr. Fong as the borrower and the Company as the guarantor on 6 October 2014 in respect of a sum of HK\$3,500,000 (the “Loan”). Under the Statement of Claim, the Plaintiff claims against Mr. Fong and the Company for: (1) a sum of HK\$2,092,871.02; (2) further interest accrued on the outstanding loan principal of HK\$1,961,932.21 at the rate of 42% per annum from 6 January 2016 until payment in full; (3) further or other relief; and (4) costs of the proceedings on full indemnity basis.

As stated in the announcement of the Company dated 12 January 2016, the Company denies and disputes the allegations made by the Plaintiff against the Company in the Statement of Claim. The Company has never authorised the provision of the alleged guarantee to the Plaintiff or anyone over the Loan nor has the Company ever passed any resolution to authorise the provision of the alleged guarantee over the Loan allegedly advanced by the Plaintiff to Mr. Fong.

In respect of the above mentioned lawsuit, the Group has engaged external legal advisor for further legal procedures. The case is in litigation procedure currently. The management will continue to monitor the event and will make further announcements at due time to provide latest updates on the litigation to investors of the Group.

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

Hong Kong, 26 August 2016

As at the date of this announcement, the Board comprises:

<i>Executive Directors:</i>	Mr. Huang Yun Mr. Dai Lifeng
<i>Non-executive Director:</i>	Mr. Law Fei Shing
<i>Independent Non-executive Directors:</i>	Mr. Tso Hon Sai, Bosco Mr. Leung Siu Hong Mr. Chung Wai Man