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Legend Upstar Holdings Limited
 駿 聯 控 股 有 限 公 司
 (Incorporated in the Cayman Islands with limited liability)
 (Stock Code: 459)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board of directors (the “Board”) of Legend Upstar Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2023 (the “Interim Period”) together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 HK\$'000	2022 HK\$'000
Revenues	3(a)	230,519	262,325
Other income, net	4	4,350	1,512
Staff costs		(117,730)	(121,307)
Rebate incentives		(42,431)	(82,569)
Advertising and promotion expenses		(3,786)	(5,092)
Amortisation of right-of-use assets		(12,421)	(14,421)
Depreciation of property and equipment		(2,525)	(1,664)
Net impairment losses on financial assets		(8,800)	(10,056)
Other operating costs	5	(20,658)	(25,109)
Operating profit		26,518	3,619
Bank interest income		3,210	14
Interest on bank loans		(9,892)	(2,834)
Interest on lease liabilities		(441)	(245)
Profit before taxation		19,395	554
Taxation	6	(1,991)	(85)
Profit and total comprehensive income for the period		17,404	469

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED) (CONTINUED)**

For the six months ended 30 June 2023

	<i>Note</i>	Six months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
Profit/(loss) and total comprehensive income/(loss) for the period attributable to :			
Equity holders		17,511	437
Non-controlling interests		(107)	32
		17,404	469
		HK cent	<i>HK cent</i>
Earnings per share	8		
Basic		0.970	0.024
Diluted		0.970	0.024

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2023

		As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
	<i>Note</i>		
ASSETS			
Non-current assets			
Property and equipment		10,021	8,278
Right-of-use assets		33,103	37,169
Investment properties	9	1,030,600	1,060,500
Loan receivables	10	-	10,000
Deferred tax assets		12,063	12,309
		<u>1,085,787</u>	<u>1,128,256</u>
Current assets			
Trade and other receivables	11	116,388	125,250
Loan receivables	10	261,426	352,370
Tax recoverable		1,953	1,863
Cash and cash equivalents		299,436	212,785
		<u>679,203</u>	<u>692,268</u>
Total assets		<u><u>1,764,990</u></u>	<u><u>1,820,524</u></u>
EQUITY AND LIABILITIES			
Equity holders			
Share capital		180,528	180,528
Share premium		745,086	745,086
Reserves		226,051	208,522
		<u>1,151,665</u>	<u>1,134,136</u>
Non-controlling interests		<u>6,883</u>	<u>6,990</u>
Total equity		<u><u>1,158,548</u></u>	<u><u>1,141,126</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
(CONTINUED)

As at 30 June 2023

	<i>Note</i>	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		7,985	8,596
Lease liabilities		14,817	17,732
Bank loans	<i>12</i>	278,547	403,595
Other payables	<i>13</i>	7,638	7,689
		<u>308,987</u>	<u>437,612</u>
Current liabilities			
Trade and other payables	<i>13</i>	158,384	165,332
Amounts due to non-controlling interests		420	420
Lease liabilities		20,132	21,634
Bank loans	<i>12</i>	113,856	46,356
Tax payable		4,663	8,044
		<u>297,455</u>	<u>241,786</u>
Total liabilities		<u>606,442</u>	<u>679,398</u>
Total equity and liabilities		<u>1,764,990</u>	<u>1,820,524</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

The Company is a limited liability company incorporated in the Cayman Islands and listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its head office and principal place of business in Hong Kong is Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

The principal activities of the Group are the provision of property agency services in respect of commercial and industrial properties and shops, properties investment, credit business and securities investment in Hong Kong.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated.

This unaudited condensed consolidated interim financial information was approved by the Board on 29 August 2023.

2 Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared under the historical cost convention as modified by the revaluation of investment properties which are carried at fair values, and also prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies used in preparing this unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Group’s consolidated financial statements for the year ended 31 December 2022, except for the adoption of the new or amended HKFRSs and HKASs which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2023.

2 Basis of preparation (continued)

Significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

(a) New and amended standards effective in 2023

The adoption of the new and amended standards does not have a material impact on the Group's results of operations or financial position.

(b) Amended standards and interpretations which are not yet effective

The Group has not early applied the amended standards and interpretations that have been issued but not yet effective. The adoption of these amended standards and interpretations is not expected to have a material impact on the Group's results of operations or financial position.

3 Revenues and segment information

(a) Revenues

	Six months ended 30 June	
	2023 HK\$'000	2022 HK\$'000
<i>Revenues from contracts with customers within the scope of HKFRS 15</i>		
Agency fee	203,831	231,951
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<i>Revenues from other sources</i>		
Rental income	13,748	12,328
Interest income from credit business	12,940	17,987
Interest income from securities investment	-	59
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	26,688	30,374
	-----	-----
Total revenues	230,519	262,325
	=====	=====

3 Revenues and segment information (continued)

(b) Segment information

The chief operating decision-makers have been identified as the executive directors of the Company (the “Executive Directors”). The Executive Directors review the Group’s internal reports in order to assess performance and allocate resources. The Executive Directors determine the operating segments based on these reports.

The Executive Directors assess the performance based on the nature of the Group’s businesses principally located in Hong Kong, which comprises property agency businesses for commercial and industrial properties and shops, properties investment, credit business and securities investment.

	Six months ended 30 June 2023						
	Property agency		Shops	Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties					
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenues	79,978	52,348	80,544	13,748	12,940	-	239,558
Inter-segment revenues	(5,837)	(1,284)	(1,918)	-	-	-	(9,039)
Revenues from external customers	74,141	51,064	78,626	13,748	12,940	-	230,519
Timing of revenue recognition							
- At a point in time	74,141	51,064	78,626	-	-	-	203,831
Rental income	-	-	-	13,748	-	-	13,748
Interest income	-	-	-	-	12,940	-	12,940
	74,141	51,064	78,626	13,748	12,940	-	230,519
Segment results	4,163	6,668	545	12,480	10,860	-	34,716
Fair value loss on investment properties	-	-	-	(2,900)	-	-	(2,900)
Gain on disposal of a subsidiary	-	-	-	6,970	-	-	6,970
Amortisation of right-of-use assets	(4,351)	(3,173)	(4,897)	-	-	-	(12,421)
Depreciation of property and equipment	(1,099)	(725)	(676)	(19)	(6)	-	(2,525)
Net reversal of impairment/(impairment losses) on financial assets	1,326	(969)	(9,157)	-	-	-	(8,800)
Additions to non-current assets	1,528	541	2,199	-	-	-	4,268

For the purpose of segmental information analysis, expenditures incurred for leases are not regarded as capital expenditures.

3 Revenues and segment information (continued)

(b) Segment information (continued)

	Six months ended 30 June 2022						
	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenues	113,464	50,370	74,786	12,328	17,987	59	268,994
Inter-segment revenues	(1,452)	(2,921)	(2,296)	-	-	-	(6,669)
Revenues from external customers	112,012	47,449	72,490	12,328	17,987	59	262,325
Timing of revenue recognition							
- At a point in time	112,012	47,449	72,490	-	-	-	231,951
Rental income	-	-	-	12,328	-	-	12,328
Interest income	-	-	-	-	17,987	59	18,046
	112,012	47,449	72,490	12,328	17,987	59	262,325
Segment results	(1,902)	(1,804)	(8,096)	8,343	13,794	147	10,482
Fair value loss on investment properties	-	-	-	(201)	-	-	(201)
Amortisation of right-of-use assets	(6,279)	(3,814)	(4,328)	-	-	-	(14,421)
Depreciation of property and equipment	(421)	(684)	(523)	(34)	(2)	-	(1,664)
Net (impairment losses)/reversal of impairment on financial assets	(1,573)	1,478	(9,961)	-	-	-	(10,056)
Additions to non-current assets	2,970	903	1,089	49,859	-	-	54,821

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Government subsidy, corporate expenses, bank interest income, interest on bank loans and taxation are not included in the segment results.

Revenues between segments arose from transactions which are carried out on terms with reference to market practice. Revenues from external customers reported to the Executive Directors are measured in a manner consistent with that in the condensed consolidated statement of comprehensive income. The revenue from external customers is the same as the total revenue per condensed consolidated statement of comprehensive income.

3 Revenues and segment information (continued)

(b) Segment information (continued)

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Segment results for reportable segments	34,716	10,482
Government subsidy	-	1,600
Corporate expenses	(8,639)	(8,708)
Bank interest income	3,210	14
Interest on bank loans	(9,892)	(2,834)
	<hr/>	<hr/>
Profit before taxation per condensed consolidated statement of comprehensive income	19,395	554
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Segment assets and liabilities exclude corporate assets and liabilities and deferred taxation, all of which are managed on a central basis. Set out below is an analysis of assets and liabilities by reportable segment:

	As at 30 June 2023						Total
	Property agency			Properties investment	Credit business	Securities investment	
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	58,063	44,348	51,757	1,031,796	261,908	-	1,447,872
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment liabilities	64,412	54,454	51,190	21,643	2,071	259	194,029
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

	As at 31 December 2022						Total
	Property agency			Properties investment	Credit business	Securities investment	
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	56,103	49,556	57,040	1,063,132	364,047	-	1,589,878
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment liabilities	66,844	61,915	51,781	20,865	7,564	259	209,228
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3 Revenues and segment information (continued)

(b) Segment information (continued)

Reportable segment assets are reconciled to total assets as follows:

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Segment assets	1,447,872	1,589,878
Corporate assets	305,055	218,337
Deferred tax assets	12,063	12,309
Total assets per condensed consolidated balance sheet	<u>1,764,990</u>	<u>1,820,524</u>

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Segment liabilities	194,029	209,228
Corporate liabilities	404,428	461,574
Deferred tax liabilities	7,985	8,596
Total liabilities per condensed consolidated balance sheet	<u>606,442</u>	<u>679,398</u>

4 Other income, net

	Six months ended 30 June 2023 HK\$'000	2022 HK\$'000
Fair value loss on investment properties (note 9)	(2,900)	(201)
Gain on disposal of a subsidiary	6,970	-
Government subsidy	-	1,600
Gain on disposal of other financial assets at amortised cost	-	17
Others	280	96
	<u>4,350</u>	<u>1,512</u>

For the six months ended 30 June 2022, subsidy received under the Employment Support Scheme of HK\$1,600,000 is included in the government subsidy. There were no unfulfilled conditions or other contingencies attaching to these grants.

5 Other operating costs

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Office and branch operating expenses (remark)	7,421	7,871
Government rent and rates, building management fee (leased properties and investment properties)	3,756	3,717
Legal and professional fee	2,476	7,457
Trademark licensing fee	809	751
Insurance expenses	2,330	1,849
Bank charges	863	939
Auditor's remuneration		
– audit services	629	629
– interim results review	343	343
Others	2,031	1,553
Other operating costs	<u>20,658</u>	<u>25,109</u>

For the six months ended 30 June 2023, direct operating expenses arising from investment properties that generated rental income and did not generate rental income were HK\$2,941,000 and HK\$80,000 respectively, in which HK\$1,630,000 were included in other operating costs.

For the six months ended 30 June 2022, direct operating expenses arising from investment properties that generated rental income and did not generate rental income were HK\$2,619,000 and HK\$27,000 respectively, in which HK\$1,296,000 were included in other operating costs.

Remark: Office and branch operating expenses include utilities expenses, communication expenses, printing and stationery, transportation, and repair and maintenance.

6 Taxation

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Current		
– Hong Kong profits tax	1,886	4,960
Deferred tax	105	(4,875)
	<u>1,991</u>	<u>85</u>

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2022: 16.5%) on the estimated assessable profit for the period, except for one subsidiary of the Company which is a qualifying corporation under the two-tiered profits tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong profits tax for this subsidiary was calculated on the same basis for the six months ended 30 June 2022.

7 Interim dividend

The Board does not declare an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

8 Earnings per share

The calculation of basic and diluted earnings per share is based on the following:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Profit attributable to equity holders for calculation of basic and diluted earnings per share	<u>17,511</u>	<u>437</u>
Weighted average number of shares for calculation of basic and diluted earnings per share (thousands)	<u>1,805,283</u>	<u>1,805,283</u>
Basic and diluted earnings per share (HK cent)	<u>0.970</u>	<u>0.024</u>

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the period.

For the six months ended 30 June 2023 and 2022, the diluted earnings per share is the same as the basic earnings per share as the effect of the exercise of the share options would be anti-dilutive.

9 Investment properties

	HK\$'000
At 31 December 2022 and 1 January 2023	1,060,500
Disposal	(27,000)
Change in fair value recognised in the condensed consolidated statement of comprehensive income (note 4)	<u>(2,900)</u>
At 30 June 2023	<u>1,030,600</u>

Fair value loss of HK\$2,900,000 (for the six months ended 30 June 2022: HK\$201,000) on investment properties was recognised during the period.

Investment properties of HK\$915,400,000 (as at 31 December 2022: HK\$942,900,000) are pledged as security for the Group's bank loans (note 12).

10 Loan receivables

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Loan receivables – loan to employee	6	179
Loan receivables – property mortgage loans	261,420	362,191
	<hr/>	<hr/>
Total loan receivables	261,426	362,370
Less: non-current portion	-	(10,000)
	<hr/>	<hr/>
Current portion	261,426	352,370
	<hr/> <hr/>	<hr/> <hr/>

A maturity profile of the loan receivables as at the end of the reporting periods, based on the maturity date and net of provision, is as follows:

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Within 1 year	261,426	352,370
After 1 year but within 2 years	-	10,000
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	261,426	362,370
	<hr/> <hr/>	<hr/> <hr/>

Loan receivables represent loan to employee and property mortgage loans granted to customers in Hong Kong.

The Group's loan receivables are denominated in Hong Kong dollars.

11 Trade and other receivables

Trade receivables mainly represent agency fee receivables from customers whereby no general credit terms are granted. The customers are obliged to settle the amounts due upon completion of or pursuant to the terms and conditions of the relevant agreements. The ageing analysis of the trade receivables is as follows:

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Current (not yet due)	96,201	88,886
Less than 30 days past due	1,084	9,505
31 to 60 days past due	438	1,437
61 to 90 days past due	139	1,704
More than 90 days past due	-	965
	<hr/>	<hr/>
	97,862	102,497
	<hr/> <hr/>	<hr/> <hr/>

The Group's trade and other receivables are mainly denominated in Hong Kong dollars.

12 Bank loans

The Group's bank loans comprise the following:

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Current portion	113,856	46,356
Non-current portion	278,547	403,595
	<u>392,403</u>	<u>449,951</u>

The Group's bank loans are repayable as follows:

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Unsecured bank loan with repayment on demand clause		
- repayable within 1 year	-	10,000
	-----	-----
Secured bank loans without repayment on demand clause		
- repayable within 1 year	113,856	36,356
- repayable after 1 year but within 2 years	7,356	109,356
- repayable after 2 years but within 5 years	271,191	294,239
	<u>392,403</u>	<u>439,951</u>
	-----	-----
	<u>392,403</u>	<u>449,951</u>

The bank loans are secured by investment properties of HK\$915,400,000 (as at 31 December 2022: HK\$942,900,000) held by the Group (note 9) and corporate guarantee given by the Company.

The Group's bank loans are denominated in Hong Kong dollars.

13 Trade and other payables

Trade payables include mainly the commissions and rebate payables to property consultants, co-operative estate agents and property buyers, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions and rebate payables of HK\$17,360,000 (as at 31 December 2022: HK\$23,050,000) in respect of which the corresponding agency fees have been received, and are due for payment within 30 days after period end, and all the remaining commissions and rebate payables are not yet due.

The Group's trade and other payables are denominated in Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group announces that for the Interim Period, the Group recorded a profit attributable to equity holders amounted to HK\$17,511,000 (for the six months ended 30 June 2022: HK\$437,000).

The improvement of the Group's results was attributable to, among other factors:

- (1) effective cost control measures; and
- (2) realised gain through capturing the capital appreciation from the disposal of a property investment.

Far from Normal

Following the lifting of COVID-prevention measures, the economy of Hong Kong has shown signs of improvement. The reopening of borders has particularly benefitted the retail sector, which saw a 21% increase in total retail sales during the first half of 2023. Despite this positive trend, total retail sales were still 15% lower than their pre-pandemic level when compared with the same period in 2019. Other economic indicators such as tourist arrivals, stock trading volume, IPO deals, and business confidence remained below their peak levels.

While the residential market improved slightly in the first half of 2023, the non-residential market shrank further. In the Group's view, the non-residential sector is dominated by investors who are much more sensitive to the economic outlook and cost of financing. Accordingly, rising interest rates have hindered the recovery of the non-residential market. At the same time, the weaker-than-expected recovery of the Mainland economy has been another concern of those investors.

Industrial Property Segment

Among the three sub-segments of the non-residential sector, the industrial property segment was clearly constrained by oversupply, performing the worst. According to the figures from the Land Registry, the number of sales transactions of industrial units in the first half of 2023 fell by 24% to 1,194 units as compared with that in the same period in 2022.

Shop Segment

The change in the consumer behaviour such as online shopping gaining popularity, has brought chronic pressure to the shop segment. The recovery of the retail sector after the border reopening helped offset part of the market concerns and the decline in transactions in the shop segment was relatively mild. Seemingly, the number of vacant shops in the market has dropped. In the first half of 2023, the shop segment recorded 528 sales transactions, representing a drop of 19% as compared with that in the same period in 2022.

Office Segment

Work-from-home arrangements have notably changed the office utilisation rate. Due to the trend of emigration in the last few years, the local labour market has become tight. Some business corporations have extended remote-working practice as an incentive to recruit and retain talents. Although the resumption in business activities after the reopening led to an increase of 9% in the number of office sales registrations, the total value tumbled by more than half. Clearly, investors' confidence in the office segment has not been fully restored.

Property Investment and Money Lending Business Shined

Due to the poor performance of the non-residential sector, the revenue of the Group's agency business did not show any improvement. Nevertheless, this flagship business unit managed to post a slight profit, riding on a series of cost-saving measures launched in the past years.

In recent years, the Group has pursued a diversification strategy and successfully developed two business lines, i.e., property investment and money lending. In the first half of 2023, these two units continued to make contributions to the Group's revenue.

For the property investment sector, the Group has significant improvement in its rental segment. The overall occupancy rate of the Group's rental portfolio reached 95% with rental growth despite the difficult market environment. The room rate and occupancy rate of the Group's serviced apartment also increased, benefitting from the revival of the rental market of the residential sector. On top of rental income, the Group has successfully realised a gain from the disposal of a shop.

The money lending business continued to provide steady profit to the Group. However, the overall portfolio size decreased as the market risk heightened. In addition, the significant interest rate hikes coupled with fierce market competition caused the profit margin to drop significantly. On a positive side, the Group was able to keep the bad debt rate relatively low with its prudent credit approach.

OUTLOOK

Challenging Business Environments

The recovery of the Hong Kong economy has been fraught with challenges. Geopolitical risks have contributed to negative sentiments towards Chinese stocks, potentially weakening Hong Kong's position as a global financial centre. Additionally, there has been a lack of major multinational corporation expansions in Hong Kong. The recent hikes in interest rates have further weighed on market sentiments. While concerns about rising rates has dissipated earlier in 2023, the Hong Kong Interbank Offered Rate (HIBOR) once hovered at around 3%. The sustained strength of the US labour market has also complicated efforts to combat inflation.

In early July 2023, the Hong Kong Monetary Authority ("HKMA") announced another round of easing measures by raising the maximum loan-to-value ("LTV") ratios for non-residential properties from 50% to 60%. Yet, the response to the new changes has been lacklustre given the impact of rising interest rates on investment demand.

As for the interest rate outlook, the US June and July inflation report provided some relief, with a mild 3% and 3.2% year-on-year rise of consumer price index in June and July 2023 respectively, a significant slowdown from the 9% and 8.5% pace in June and July 2022. If interest rates come down sooner than expected, the investors' appetite is likely to return, and the recent relaxations such as increases in LTV ratio will begin to take effect.

New Normal after the Pandemics

The number of Mainland tourists visiting Hong Kong in the first half of 2023 was far below its peak, but there is potential for a significant rebound. As the behaviour of Mainland tourists has changed, industries such as retail may take longer to return to its peak. Nevertheless, some sectors have fared better than others. For example, life insurers in Hong Kong have seen a surge in new business premiums from Mainland Chinese visitors, with a 2,686% increase in the first quarter of 2023 as compared with the same period in 2022. These industries may seek expansion opportunities, providing new impetus to the market.

In the second quarter of 2023, Mainland China's GDP grew by 6.3% as compared with the same period in 2022. This growth was expected to be more significant due to the low base of comparison resulting from the lockdowns in Shanghai and other cities last year. The central government has already taken steps to stimulate the Mainland economy, such as cutting lending rates, and if it continues to do so, the Hong Kong economy and the commercial property market may also benefit.

Adjusting to the New Normal

The local economy and the non-residential property sector clearly have not achieved their full potential, so the business environment has a high chance to take a positive turn if there is any de-escalation of the risks aforementioned. It might be difficult for the landscape of the Hong Kong non-residential property market to return to that in the pre-pandemic era. The Group will constantly review its strategies and strive to thrive in the post-pandemic era.

Moreover, the Group will continue to deeply engage with the business units of Midland Holdings, a related company of the Group, to generate more referral commissions from transactions relating to residential units.

The Hong Kong government's efforts in attracting overseas talents through various admission schemes have been extremely successful. It is expected that in the second half of 2023, some of these new working visa holders and their dependents will relocate to Hong Kong, creating a new demand for residential properties. The Group will seize the chance to help them to seek residential properties as well as other property investment opportunities in Hong Kong.

The huge influx of the overseas talents is expected to benefit the rental market in the near term and the room rate and occupancy rate of the Group's serviced apartments may improve further. In the meantime, the Group will actively manage its property investment portfolio through efforts in boosting rental return and profit from disposal.

At first glance, the latest relaxation of LTV cap for residential properties by HKMA seems likely to hinder the growth of the Group's money lending business. However, the impact is expected to be quite limited as only owner-occupiers can benefit from such relaxation. Meanwhile, the loan demand from multiple-home owners and investors remains huge. The Group will keep its prudent approach in making new loans.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2023, the Group had cash and cash equivalents of HK\$299,436,000 (as at 31 December 2022: HK\$212,785,000), whilst bank loans amounted to HK\$392,403,000 (as at 31 December 2022: HK\$449,951,000).

The maturity profile of the Group's borrowings is set out as follows:

	As at 30 June 2023 HK\$'000	As at 31 December 2022 HK\$'000
Unsecured bank loan with repayment on demand clause		
- repayable within 1 year	-	10,000
	-----	-----
Secured bank loans without repayment on demand clause		
- repayable within 1 year	113,856	36,356
- repayable after 1 year but within 2 years	7,356	109,356
- repayable after 2 years but within 5 years	271,191	294,239
	-----	-----
	392,403	439,951
	=====	=====
	392,403	449,951
	=====	=====

The Group's bank loans were secured by certain investment properties held by the Group of HK\$915,400,000 (as at 31 December 2022: HK\$942,900,000). As at 30 June 2023, the Group had unutilised borrowing facilities amounting to HK\$183,000,000 (as at 31 December 2022: HK\$153,000,000) from banks. The Group's cash and bank balances are deposited in Hong Kong dollars and the Group's bank loans are in Hong Kong dollars. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 30 June 2023, the gearing ratio of the Group was 33.9% (as at 31 December 2022: 39.4%). The gearing ratio is calculated on the basis of the Group's total bank loans over total equity of the Group.

The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 2.3 (as at 31 December 2022: 2.9). The return on equity of the Group, which is the ratio of profit for the period over total equity was 1.50% (for the six months ended 30 June 2022: 0.04%).

With committed banking facilities in place and a solid base of recurrent income, the directors of the Company (the "Directors") are of the view that there are sufficient financial resources to satisfy the Group's on-going working capital requirements.

Consistent with the overall treasury objectives and policy, the Group undertakes treasury management activities with respect to its available cash so as to generate investment return to enhance the Group's financial position. The criteria for selection of investments will include (i) the risk profile involved and not speculative in nature; (ii) the liquidity of an investment; (iii) the after tax equivalent yield of an investment; and (iv) structured products are prohibited. In line with its liquidity objectives, the Group invests mostly in liquid instruments, products or equities with good credit quality. Investment in fixed income products are structured in different maturity profile to cater for ongoing business development.

The Group's income and monetary assets and liabilities are mainly denominated in Hong Kong dollars. The Directors consider that the foreign exchange exposure of the Group is minimal.

Disposal of subsidiary

In March 2023, the Group entered into a provisional agreement to sell the entire equity interest of an indirect wholly owned subsidiary of the Company (including the assignment of the sale debt) at a consideration of HK\$33.5 million. The principal asset of this subsidiary is the entire interest in a property located at Shop No. 6 on Ground Floor, Cambridge Court, Nos. 84A-84H & 84J-84M Waterloo Road, Kowloon, Hong Kong. This transaction was completed in May 2023. The Group recognised a gain of approximately HK\$7 million from the disposal.

Details of the disposal were set out in the Company's announcements dated 7 March 2023 and 3 May 2023.

Information on the Group's loan portfolio and money lending business

As at 30 June 2023, the outstanding loan receivable was HK\$261.4 million (as at 31 December 2022: HK\$362.4 million). The outstanding loan balance involved 35 cases (as at 31 December 2022: 41 cases) with different borrowers. The largest outstanding loan receivable was HK\$55.0 million (representing approximately 21% of the outstanding loan portfolio as a whole) which was secured by a first mortgage over a residential property located at a prime location with a LTV of 79%. As at 30 June 2023, the amount of loan receivables from the five largest borrowers was HK\$116.0 million (as at 31 December 2022: HK\$172.8 million), representing approximately 44.4% of the outstanding loan portfolio as a whole (as at 31 December 2022: 47.7%). Amongst the outstanding loan portfolio, over 99% was secured by first mortgage over residential and non-residential properties, with average LTV of approximately 62%. No impairment loss on loan was made during the period under review.

The credit business of the Group is operated by Legend Credit Limited ("Legend Credit"), the Group's money lending unit. Such credit business provides a stable revenue and cash flow to the Group.

All loans advanced by Legend Credit are subject to approval on a case-by-case basis by a credit committee, which comprises members of the senior management who possess expertise in the property and financing fields. The credit assessment is based on the financial strength and repayment ability of the borrower, the collateral provided, prevailing market and competitive conditions and interest rate environment.

Interest rates on loans are offered based on the assessed degree of credit risks, loan period, loan amount, availability of funds, and any other relevant business relationships with the borrower.

The Group manages its loan portfolio to minimise concentration by the relationship between borrowers to maintain a diversified client base and lessen credit risk exposures. Legend Credit's collection team will conduct periodic review of its portfolio to monitor risks of default.

Contingent Liabilities

The Group has been involved in certain claims/litigations in respect of property agency services, including a number of cases in which third party customers alleged that certain Group's employees, when advising the customers, had made misrepresentations about the properties that the customers intended to acquire. After seeking legal advice, the management is of the opinion that either an adequate provision has been made in the condensed consolidated financial statements to cover any potential liabilities or that no provision is required as based on the current facts and evidence there is no indication that an outflow of economic resources is probable.

Employee information

As at 30 June 2023, the Group employed 544 full-time employees (as at 31 December 2022: 577).

The emolument policy regarding employees of the Group is largely based on industry practice, individual performance, qualification and experience. In addition, discretionary bonus, incentives tied in with profits and share options may be granted to eligible staff by reference to the Group's performance and individual performance. The Group also provides other benefits to its employees such as education subsidies, medical and retirement benefits. In respect of staff development, both in-house and external training and development programmes are conducted on a regular basis.

INTERIM DIVIDEND

The Board does not declare an interim dividend for the Interim Period (for the six months ended 30 June 2022: nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code as stated in Appendix 14 to the Listing Rules throughout the Interim Period.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

On specific enquiries made, all the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions at all applicable times during the Interim Period.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Interim Period.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed and discussed with the management the unaudited condensed consolidated interim financial information of the Group for the Interim Period. PricewaterhouseCoopers as the Company’s auditor has reviewed the unaudited interim financial information of the Group for the Interim Period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

PUBLICATION OF 2023 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.legendupstarholdings.com). The Company’s 2023 Interim Report will be despatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

I would like to take this opportunity to express my sincere gratitude to our shareholders and customers, and to our management and staff for their hard work and dedication during the Interim Period.

By Order of the Board
Legend Upstar Holdings Limited
WONG Kin Yip, Freddie
Chairman and Executive Director

Hong Kong, 29 August 2023

As at the date of this announcement, the Board comprises seven Directors, of which four are Executive Directors, namely Mr. WONG Kin Yip, Freddie, Ms. WONG Ching Yi, Angela, Mr. LO Chin Ho, Tony and Mr. WONG Alexander Yiu Ming; and three are Independent Non-Executive Directors, namely Mr. SHA Pau, Eric, Mr. WONG Chung Kwong and Mr. LI Wai Keung.