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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board of directors (the “Board”) of Legend Upstar Holdings Limited (the “Company”) announces the audited consolidated annual results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2023 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

	Note	2023 HK\$'000	2022 HK\$'000
Revenues	3(a)	397,073	450,083
Other losses, net	4	(19,358)	(8,503)
Staff costs		(200,633)	(221,099)
Rebate incentives		(74,476)	(114,816)
Advertising and promotion expenses		(6,923)	(9,452)
Operating lease charges in respect of shop premise		(163)	-
Amortisation of right-of-use assets		(23,962)	(27,723)
Depreciation of property and equipment		(5,283)	(3,793)
Net impairment losses on financial assets		(10,362)	(6,237)
Other operating costs	5	(33,787)	(50,519)
Operating profit		22,126	7,941
Finance costs, net	6	(16,180)	(10,185)
Profit/(loss) before taxation		5,946	(2,244)
Taxation	7	(7,641)	(1,408)
Loss for the year		(1,695)	(3,652)

CONSOLIDATED INCOME STATEMENT (Continued)*For the year ended 31 December 2023*

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
(Loss)/profit for the year attributable to:			
Equity holders		(733)	(3,689)
Non-controlling interests		(962)	37
		(1,695)	(3,652)
		HK cent	HK cent
Loss per share	9		
Basic		(0.041)	(0.204)
Diluted		(0.041)	(0.204)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the year ended 31 December 2023*

	2023 HK\$'000	2022 HK\$'000
Loss for the year	(1,695)	(3,652)
Other comprehensive income for the year <i>Item that will not be reclassified to profit or loss</i>		
Remeasurement of post-employment benefit obligation	<u>24</u>	<u>3,524</u>
Total comprehensive loss for the year	<u>(1,671)</u>	<u>(128)</u>
Total comprehensive (loss)/income for the year attributable to:		
Equity holders	(709)	(165)
Non-controlling interests	(962)	37
	<u>(1,671)</u>	<u>(128)</u>

CONSOLIDATED BALANCE SHEET*As at 31 December 2023*

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
ASSETS			
Non-current assets			
Property and equipment		6,938	8,278
Right-of-use assets		22,839	37,169
Investment properties	<i>10</i>	1,006,800	1,060,500
Loan receivables	<i>11</i>	-	10,000
Deferred tax assets		10,541	12,309
		1,047,118	1,128,256
Current assets			
Trade and other receivables	<i>12</i>	89,638	125,250
Loan receivables	<i>11</i>	333,710	352,370
Tax recoverable		1,792	1,863
Cash and cash equivalents		219,181	212,785
		644,321	692,268
Total assets		1,691,439	1,820,524
EQUITY AND LIABILITIES			
Equity holders			
Share capital		180,528	180,528
Share premium		745,086	745,086
Reserves		207,831	208,522
		1,133,445	1,134,136
Non-controlling interests		6,028	6,990
Total equity		1,139,473	1,141,126

CONSOLIDATED BALANCE SHEET (Continued)*As at 31 December 2023*

	<i>Note</i>	2023 HK\$'000	2022 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		8,071	8,596
Lease liabilities		8,799	17,732
Bank loans	<i>13</i>	274,869	403,595
Other payables		6,887	7,689
		<u>298,626</u>	<u>437,612</u>
		-----	-----
Current liabilities			
Trade and other payables	<i>14</i>	125,581	165,332
Amounts due to non-controlling interests		420	420
Lease liabilities		16,061	21,634
Bank loans	<i>13</i>	109,356	46,356
Tax payable		1,922	8,044
		<u>253,340</u>	<u>241,786</u>
		-----	-----
Total liabilities		<u>551,966</u>	<u>679,398</u>
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Total equity and liabilities		<u>1,691,439</u>	<u>1,820,524</u>
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

The Company’s immediate holding company is Wealth Builder Holdings Limited, a company incorporated in the British Virgin Islands with limited liability.

The Company’s ultimate holding company is Luck Gain Holdings Limited, a company incorporated in the British Virgin Islands with limited liability.

This audited consolidated annual results is presented in Hong Kong dollars, unless otherwise stated.

This audited consolidated annual results has been approved by the Board on 25 March 2024.

2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair values.

(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 operation or financial position.

3 Revenues and segment information

(a) Revenues

	2023 HK\$'000	2022 HK\$'000
Revenues from contracts with customers within the scope of HKFRS 15		
Agency fee	338,524	389,058
	-----	-----
Revenues from other sources		
Rental income	27,498	25,591
Interest income from credit business	31,051	35,375
Interest income from securities investment	-	59
	-----	-----
	58,549	61,025
	-----	-----
Total revenues	397,073	450,083
	=====	=====

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.

	Year ended 31 December 2023						
	Property agency			Properties investment	Credit business	Others	Total
	Commercial properties	Industrial properties	Shops				
HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	
Segment revenues	124,708	84,814	143,020	27,498	31,051	-	411,091
Inter-segment revenues	(6,622)	(3,268)	(4,128)	-	-	-	(14,018)
Revenues from external customers	118,086	81,546	138,892	27,498	31,051	-	397,073
Timing of revenue recognition							
- At a point in time	118,086	81,546	138,892	-	-	-	338,524
Rental income	-	-	-	27,498	-	-	27,498
Interest income	-	-	-	-	31,051	-	31,051
	118,086	81,546	138,892	27,498	31,051	-	397,073
Segment results	(2,713)	5,949	4,773	(2,592)	25,785	9	31,211
Fair value loss on investment properties	-	-	-	(26,700)	-	-	(26,700)
Gain on disposal of a subsidiary	-	-	-	6,970	-	-	6,970
Amortisation of right-of-use assets	(8,585)	(5,847)	(9,530)	-	-	-	(23,962)
Depreciation of property and equipment	(2,256)	(1,453)	(1,530)	(33)	(11)	-	(5,283)
Net reversal of impairment/ (impairment losses) on financial assets	2,009	(801)	(11,570)	-	-	-	(10,362)
Additions to non-current assets	1,383	478	2,078	-	-	-	3,939

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)

	Year ended 31 December 2022						
	Property agency			Properties investment	Credit business	Others	Total
	Commercial properties	Industrial properties	Shops				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment revenues	167,334	95,395	137,758	25,591	35,375	59	461,512
Inter-segment revenues	(2,768)	(5,673)	(2,988)	-	-	-	(11,429)
Revenues from external customers	164,566	89,722	134,770	25,591	35,375	59	450,083
Timing of revenue recognition							
- At a point in time	164,566	89,722	134,770	-	-	-	389,058
Rental income	-	-	-	25,591	-	-	25,591
Interest income	-	-	-	-	35,375	59	35,434
	164,566	89,722	134,770	25,591	35,375	59	450,083
Segment results	(4,123)	1,282	826	6,261	25,701	234	30,181
Fair value loss on investment properties	-	-	-	(11,301)	-	-	(11,301)
Amortisation of right-of-use assets	(10,625)	(7,590)	(9,508)	-	-	-	(27,723)
Depreciation of property and equipment	(1,141)	(1,471)	(1,106)	(67)	(8)	-	(3,793)
Net (impairment losses)/reversal of impairment on financial assets	(5,396)	2,091	(2,932)	-	-	-	(6,237)
Additions to non-current assets	5,081	1,292	1,802	69,222	34	-	77,431

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 consolidated income statement. The revenue from external customers is the same as the total revenue per consolidated income statement.

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

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

	2023	2022
	HK\$'000	HK\$'000
Segment results for reportable segments	31,211	30,181
Government subsidy (note 4)	-	2,591
Corporate expenses	(9,978)	(25,484)
Bank interest income (note 6)	6,568	1,202
Interest on bank loans (note 6)	(21,855)	(10,734)
	<hr/>	<hr/>
Profit/(loss) before taxation per consolidated income statement	5,946	(2,244)
	<hr/> <hr/>	<hr/> <hr/>

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 31 December 2023

	<u>Property agency</u>			Properties investment	Credit business	Others	Total
	Commercial properties	Industrial properties	Shops				
	HK\$'000	HK\$'000	HK\$'000				
Segment assets	37,652	25,657	44,154	1,008,968	334,304	5	1,450,740
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Segment liabilities	42,500	33,907	42,690	20,777	546	-	140,420
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

As at 31 December 2022

	<u>Property agency</u>			Properties investment	Credit business	Others	Total
	Commercial properties	Industrial properties	Shops				
	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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

3 Revenues and segment information (Continued)

(b) Segment information (Continued)

Reportable segment assets are reconciled to total assets as follows:

	2023	2022
	HK\$'000	HK\$'000
Segment assets	1,450,740	1,589,878
Corporate assets	230,158	218,337
Deferred tax assets	10,541	12,309
	<u> </u>	<u> </u>
Total assets per consolidated balance sheet	1,691,439	1,820,524
	<u> </u>	<u> </u>

Reportable segment liabilities are reconciled to total liabilities as follows:

	2023	2022
	HK\$'000	HK\$'000
Segment liabilities	140,420	209,228
Corporate liabilities	403,475	461,574
Deferred tax liabilities	8,071	8,596
	<u> </u>	<u> </u>
Total liabilities per consolidated balance sheet	551,966	679,398
	<u> </u>	<u> </u>

4 Other losses, net

	2023	2022
	HK\$'000	HK\$'000
Fair value loss on investment properties (note 10)	(26,700)	(11,301)
Gain on disposal of a subsidiary	6,970	-
Government subsidy	-	2,591
Gain on disposal of other financial assets at amortised cost	-	17
Others	372	190
	<u> </u>	<u> </u>
	(19,358)	(8,503)
	<u> </u>	<u> </u>

For the year ended 31 December 2022, subsidy received under the Employment Support Scheme of HK\$2,591,000 was included in the government subsidy. There were no unfulfilled conditions or other contingencies attaching to these grants.

5 Other operating costs

	2023 HK\$'000	2022 HK\$'000
Office and branch operating expenses (remark)	16,048	16,681
Government rent and rates, building management fee (leased properties and investment properties)	7,573	7,291
Legal and professional fee	(2,314)	14,756
Trademark licensing fee	1,325	1,380
Insurance expenses	4,509	4,493
Bank charges	1,072	1,343
Auditor's remuneration		
- audit services	1,367	1,467
- interim results review	343	343
Others	3,864	2,765
Other operating costs	<u>33,787</u>	<u>50,519</u>

During the year ended 31 December 2023, reimbursement of legal fee of HK\$7,508,000 was received (2022 : nil).

For the year ended 31 December 2023, direct operating expenses arising from investment properties that generated rental income and did not generate rental income were HK\$6,507,000 and HK\$121,000 respectively, of which HK\$4,083,000 were included in other operating costs.

For the year ended 31 December 2022, direct operating expenses arising from investment properties that generated rental income and did not generate rental income were HK\$5,303,000 and HK\$198,000 respectively, of which HK\$2,736,000 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 Finance costs, net

	2023 HK\$'000	2022 HK\$'000
Finance income		
Bank interest income	6,568	1,202
Finance costs		
Interest on bank loans	(21,855)	(10,734)
Interest on lease liabilities	(893)	(653)
	<u>(22,748)</u>	<u>(11,387)</u>
Finance costs, net	<u>(16,180)</u>	<u>(10,185)</u>

7 Taxation

	2023 HK\$'000	2022 HK\$'000
Current		
Hong Kong profits tax	5,928	5,217
Deferred tax	1,713	(3,809)
	<u>7,641</u>	<u>1,408</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profit for the year, 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 in 2022.

8 Dividend

The Board does not recommend the payment of any dividend for the year ended 31 December 2023 (2022: Nil).

9 Loss per share

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

	2023 HK\$'000	2022 HK\$'000
Loss attributable to equity holders for the calculation of basic and diluted loss per share	<u>(733)</u>	<u>(3,689)</u>
Weighted average number of shares for the calculation of basic and diluted loss per share (thousands)	<u>1,805,283</u>	<u>1,805,283</u>
Basic loss per share (HK cent)	<u>(0.041)</u>	<u>(0.204)</u>
Diluted loss per share (HK cent)	<u>(0.041)</u>	<u>(0.204)</u>

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of shares in issue during the year

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account the weighted average number of additional shares that would have been outstanding assuming the exercise of share options of the Company.

For the years ended 31 December 2023 and 2022, the diluted loss per share is the same as the basic loss per share as the exercise of the share options of the Company would have an anti-dilutive effect.

10 Investment properties

	2023 HK\$'000	2022 HK\$'000
Opening net book amount	1,060,500	974,200
Additions	-	48,801
Addition of investment property through the acquisition of a subsidiary	-	48,800
Disposal	(27,000)	-
Change in fair value recognised in the consolidated income statement (note 4)	(26,700)	(11,301)
Closing net book amount	<u>1,006,800</u>	<u>1,060,500</u>

Investment properties of HK\$898,200,000 (2022: HK\$942,900,000) are pledged as security for the Group's bank loans (note 13).

11 Loan receivables

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:

	2023 HK\$'000	2022 HK\$'000
Past due	52,095	-
Within 1 year	281,615	352,370
After 1 year but within 2 years	-	10,000
	<u>333,710</u>	<u>362,370</u>

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.

12 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 the completion of or pursuant to the terms and conditions of the relevant agreements. The aging analysis of the trade receivables is as follows:

	2023 HK\$'000	2022 HK\$'000
Current (not yet due)	60,097	88,886
Less than 30 days past due	4,741	9,505
31 to 60 days past due	-	1,437
61 to 90 days past due	-	1,704
More than 90 days past due	-	965
	<u>64,838</u>	<u>102,497</u>

13 Bank loans

The Group's bank loans are repayable as follows:

	2023 HK\$'000	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	109,356	36,356
- repayable after 1 year but within 2 years	138,356	109,356
- repayable after 2 years but within 5 years	136,513	294,239
	<u>384,225</u>	<u>439,951</u>
	<u>384,225</u>	<u>449,951</u>
Categorised as		
Current portion	109,356	46,356
Non-current portion	274,869	403,595
	<u>384,225</u>	<u>449,951</u>

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

The bank loans are secured by investment properties of HK\$898,200,000 (2022: HK\$942,900,000) held by the Group (note 10) and corporate guarantee given by the Company.

13 Bank loans (Continued)

The Group has the following undrawn borrowing facilities:

	2023	2022
	HK\$'000	HK\$'000
Floating rates		
Expiring within one year	135,000	93,000
Expiring after one year	-	60,000
	<u>135,000</u>	<u>153,000</u>
	<u><u>135,000</u></u>	<u><u>153,000</u></u>

14 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\$17,214,000 (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 year end, and all the remaining commissions and rebate payables are not yet due.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group announces that for the year ended 31 December 2023, the Group recorded a loss attributable to equity holders of HK\$733,000 (2022: HK\$3,689,000).

During the reporting period, the Group's financial results were adversely affected by the poor market conditions which was caused by the weaker-than-expected economic recovery, lingering interest rate hikes concerns and poor investment sentiment, which led to a significant drop in the transaction value and volume of the non-residential properties in Hong Kong. Furthermore, the decline in property prices led to impairment of investment properties after revaluation, which also had an adverse impact on financial results. The narrowing of the losses in 2023 could be attributed to the good performance of non-agency businesses and stringent cost control.

Revenge Spending Taking Place Outside Hong Kong

There were expectations of revenge spending in 2023 in the market, but this came to nothing as a significant number of Hong Kong residents chose to travel abroad, diverting their spending away from local businesses. Additionally, in the second half of 2023, there was a noticeable trend of people from Hong Kong crossing the border to the north to spend, further impacting the local economy and non-residential properties.

Adding insult to injury, the interest rate concerns lingered throughout the rest of the year. Indeed, the market had expected several rate cuts in 2023, but instead, the United States (the "US") interest rate was raised four times. As a result, potential investors were attracted by the extremely high deposit rate, losing their interest in properties.

Transaction Volume of Shops, Offices and Industrial Units Shrank

Local transaction activities in 2023 declined as compared with that in 2022. The number of sales registrations of industrial premises fell from 2,501 units in 2022 to 2,063 units in 2023 and that of offices dipped slightly from 817 units to 811 units. In the meantime, the number of sales registration of shops declined from 1,176 units in 2022 to 1,032 units in 2023. Transaction contraction indicates that the non-residential sector did not benefit much from the border opening.

When comparing the market figures for 2023 with the pre-pandemic level, which can be represented by the 5-year average from 2015 to 2019, the market performance was even worse. The number of sales registrations of industrial premises, offices and shops in 2023 was lower than the pre-pandemic level by 49%, 47% and 35%, respectively.

Non-agency Businesses Continued to Outperform

While the Group's agency business was plagued by the poor transaction volume of the non-residential property market, and the investment properties incurred a slight depreciation of less than 3% after the revaluation, the property investment segment and credit business segment continued to make positive contributions.

The Group's property leasing business performed well in 2023 despite the difficult property market conditions. The occupancy rate stayed high because of the ongoing efforts in property portfolio management. The Group's serviced apartment registered good occupancy rate and slight rental income gains in 2023. This positive performance was mainly due to the strong demand for rental housing in Hong Kong in 2023. The government's talents recruitment programmes successfully attracted over 130,000 new applicants to come in 2023. Meanwhile, the number of emigrants from Hong Kong has peaked. Hong Kong population may have resumed the uptrend, helping to boost residential rental demand.

The Group's credit business faced multiple challenges in 2023. Firstly, the hike of interest rates and market competition narrowed the profit margin of the business significantly. Secondly, the prudent credit policy and the changed market sentiment caused a negative loan portfolio growth. The number of refinance cases fell as the property price fell and the economic environment worsened. Besides, the low market transactions caused a drop in demand for new property loans. Despite a lot of difficulties, ratio of non-performing loan was maintained at a low level due to the efforts of the professional team. Careful risk management helped the Group's credit business remains profitable in 2023.

OUTLOOK

The Group is cautious about the prospects of the Hong Kong non-residential property market, which is expected to see a slight improvement in 2024. A series of unfavourable factors will continue to weigh on the pace of the market recovery. While inflation may be peaking in major economies such as the US, global economic conditions remain uncertain due to ongoing geopolitical risks and high interest rate hikes that are still impacting demand. Locally, Hong Kong's economy remains sluggish as the financial sector still has to deal with challenges and Hong Kong people travelling north also weakens local consumption. These factors will continue to dampen the growth of non-residential sector.

Positive Signs Gradually Emerge

However, there are some positive signs that could provide support to the market. If the US Federal Reserve cuts rates in 2024 as signalled, it would shore up investors' demand and raise transaction volumes by boosting liquidity. Ongoing engagement between US and Chinese officials to stabilise economic relations and reduce policy unpredictability should also help contain geopolitical risks and lift market sentiment. Nevertheless, the upcoming US presidential election presents a source of uncertainty, as campaign rhetoric could impact the US-China relationship. The market, in general, expects Mainland China to maintain stimulus policies to ensure stable economic growth, indirectly benefitting Hong Kong. Improved transportation connectivity with the Greater Bay Area also opens up more cross-border business collaboration opportunities for Hong Kong over the long term, aiding sectors such as professional services. Some strategic enterprises setting up or expanding their businesses in Hong Kong will also raise the utilization of the non-residential properties.

Locally, the new Capital Investment Entrant Scheme (the "New CIES") has opened for applications. Under the new scheme, applicants must invest a minimum of HK\$30 million across permissible investment assets. Notably, non-residential property has been included as one of the eligible assets, and the amount of investment is capped at HK\$10 million. The buy-and-sell activities of the low-end non-residential units are expected to benefit, and the lifting of the maximum loan-to-value ratio of the non-residential transaction from 50% to 60% by the government can also help. Besides, the sales activity of the local home market has revived after the cancellation of the tightening measures. Highly likely, this red hot sentiment will spill over to the non-residential market, driving up the transaction volume of the industrial units, shops and offices.

Efforts Pursuing Economic Growth Benefit Non-residential Properties

The expansion of the Individual Visit Scheme for Mainland residents to visit Hong Kong and Macau is expected to provide opportunities to reinvigorate Hong Kong's retail sector which is fraught with difficulties. However, an imminent sharp turnaround is not likely. The Hong Kong retail sector is now facing keen competition from Mainland cities. To deal with the challenges, Hong Kong's tourism industry should focus on developing new experiences such as promoting the scenic rural hiking trails and organising more large-scale entertainment events. After the completion of the Kai Tak Sports Park, mega concerts, international sports events and cultural festivals will all provide compelling attractions for Mainland travellers beyond shopping.

Multi-pronged Strategies Drive the Business Operations

While the overall non-residential property market faces headwinds, the Group is well-equipped to navigate challenges through diversified business lines. For the Group's agency division, transaction volumes are expected to modestly improve from 2023 if market sentiment stabilises as anticipated. However, the Group must remain cautious on cost control given the risk of a slow recovery. By tightly managing expenses, the Group's agency business will strive to improve financial performance even in a lacklustre sales environment.

Midland IC&I, the flag business unit of the Group, is well-positioned to play an integral role in supporting the New CIES, with the aim of connecting eligible investors with appropriate non-residential property investment opportunities and referring relevant consultancy services provided by the relevant members of the Midland Group (a group of companies related to the Company).

Meanwhile, the Group's credit business is set to benefit should interest rates decline as expected. Lowering of borrowing costs would stimulate mortgage loan growth, creating greater demand for the Group's money lending services. Local residential property rents are likely to increase continuously due to a large influx of talent entering Hong Kong through various talent schemes, and the Group's serviced apartment business is expected to benefit. In addition, if retail sentiment improves, the rental spaces will continue to provide a steady rental income stream. By leveraging the relatively stable returns from these two non-agency business segments, the Group can generate revenue to cushion the impacts of the lingering weakness of the non-residential property sector.

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2023, the Group had cash and cash equivalents of HK\$219,181,000 (2022: HK\$212,785,000), whilst bank loans amounted to HK\$384,225,000 (2022: HK\$449,951,000).

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

	2023	2022
	HK\$'000	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	109,356	36,356
- repayable after 1 year but within 2 years	138,356	109,356
- repayable after 2 years but within 5 years	136,513	294,239
	-----	-----
	384,225	439,951
	-----	-----
	384,225	449,951
	=====	=====

The Group's bank loans were secured by certain investment properties held by the Group of HK\$898,200,000 (2022: HK\$942,900,000). As at 31 December 2023, the Group had unutilised borrowing facilities amounting to HK\$135,000,000 (2022: HK\$153,000,000) from various 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 31 December 2023, the gearing ratio of the Group was 33.7% (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 2.5 (2022: 2.9). The return on equity of the Group, which is the ratio of loss for the year over total equity, was -0.15% (2022: -0.32%).

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 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.

Fair value losses on investment properties

During the year, the Group recorded a fair value loss on investment properties of HK\$26.7 million (2022: HK\$11.3 million).

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

As at 31 December 2023, the outstanding loan receivables was HK\$333.7 million (2022: HK\$362.4 million). The outstanding loan balance involved 36 cases (2022: 41 cases) with different borrowers. The largest outstanding loan receivable was HK\$60.0 million (representing approximately 18% 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 loan to value ratio of approximately 70%. The second largest outstanding loan receivable was HK\$52.1 million (representing approximately 16% 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 loan to value ratio of approximately 83%. As at 31 December 2023, the amount of loan receivables from the five largest borrowers was HK\$176.6 million (2022: HK\$172.8 million), representing approximately 53% of the outstanding loan portfolio as a whole (2022: 48%).

As at 31 December 2023, all the outstanding loan receivables were secured by first mortgage over residential and / or non-residential properties, with average loan to value ratio of approximately 60%. No impairment loss on loan was made during the year (2022: nil).

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.

In general, each loan application must go through three stages before granting to the borrower, namely (i) document collection and verification; (ii) credit risk assessment; and (iii) approval of the credit committee.

The credit risk 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.

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.

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. They will also monitor whether borrowers make timely repayments and fulfil covenants during the life of the loan. The collection team will follow up promptly on late repayments, and liaise with borrowers for settlement. The Group will enforce securities and take legal actions for overdue debts when necessary.

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 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 31 December 2023, the Group employed 480 full-time employees (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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions as set out in the Corporate Governance Code stated in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2023.

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 C3 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 year ended 31 December 2023.

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 year ended 31 December 2023.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023. The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF 2023 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

APPRECIATION

I would like to give my heartfelt thanks to our shareholders and customers, and to our management and staff for their resilience and ingenuity demonstrated in these challenging times.

By Order of the Board
Legend Upstar Holdings Limited
MUI Ngar May, Joel
Company Secretary

Hong Kong, 25 March 2024

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.