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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 2024

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 2024 (the “Interim Period”) together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2024

| | Note | Six months ended 30 June | |
|--|------|--------------------------|-----------|
| | | 2024 | 2023 |
| | | HK\$'000 | HK\$'000 |
| Revenues | 3(a) | 201,530 | 230,519 |
| Other (losses)/income, net | 4 | (3,115) | 4,350 |
| Staff costs | | (109,034) | (117,730) |
| Rebate incentives | | (29,060) | (42,431) |
| Advertising and promotion expenses | | (3,280) | (3,786) |
| Operating lease charges in respect of shop premise | | (390) | - |
| Amortisation of right-of-use assets | | (8,961) | (12,421) |
| Depreciation of property and equipment | | (2,355) | (2,525) |
| Net impairment losses on financial assets | | (7,676) | (8,800) |
| Other operating costs | 5 | (17,871) | (20,658) |
| Operating profit | | 19,788 | 26,518 |
| Bank interest income | | 3,609 | 3,210 |
| Interest on bank loans | | (12,023) | (9,892) |
| Interest on lease liabilities | | (400) | (441) |
| Profit before taxation | | 10,974 | 19,395 |
| Taxation | 6 | (1,683) | (1,991) |
| Profit and total comprehensive income for the period | | 9,291 | 17,404 |

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

For the six months ended 30 June 2024

| | <i>Note</i> | Six months ended 30 June | |
|--|-------------|---------------------------------|-----------------|
| | | 2024 | 2023 |
| | | HK\$'000 | HK\$'000 |
| Profit/(loss) and total comprehensive income/(loss) for the period attributable to : | | | |
| Equity holders | | 9,504 | 17,511 |
| Non-controlling interests | | (213) | (107) |
| | | 9,291 | 17,404 |
| | | <i>HK cent</i> | <i>HK cent</i> |
| Earnings per share | 8 | | |
| Basic | | 0.526 | 0.970 |
| Diluted | | 0.526 | 0.970 |

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2024

| | <i>Note</i> | As at 30 June 2024 HK\$'000 | As at 31 December 2023 HK\$'000 |
|----------------------------------|-------------|--------------------------------------|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | | 4,788 | 6,938 |
| Right-of-use assets | | 14,716 | 22,839 |
| Investment properties | 9 | 1,003,400 | 1,006,800 |
| Deferred tax assets | | 11,343 | 10,541 |
| | | <u>1,034,247</u> | <u>1,047,118</u> |
| Current assets | | | |
| Trade and other receivables | 11 | 112,014 | 89,638 |
| Loan receivables | 10 | 343,482 | 333,710 |
| Tax recoverable | | 1,654 | 1,792 |
| Cash and cash equivalents | | 202,338 | 219,181 |
| | | <u>659,488</u> | <u>644,321</u> |
| Total assets | | <u><u>1,693,735</u></u> | <u><u>1,691,439</u></u> |
| EQUITY AND LIABILITIES | | | |
| Equity holders | | | |
| Share capital | | 180,528 | 180,528 |
| Share premium | | 745,086 | 745,086 |
| Reserves | | 217,335 | 207,831 |
| | | <u>1,142,949</u> | <u>1,133,445</u> |
| Non-controlling interests | | <u>5,815</u> | <u>6,028</u> |
| Total equity | | <u><u>1,148,764</u></u> | <u><u>1,139,473</u></u> |

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)*As at 30 June 2024*

| | | As at 30 June 2024 HK\$'000 | As at 31 December 2023 HK\$'000 |
|--|-------------|--------------------------------------|--|
| | <i>Note</i> | | |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred tax liabilities | | 8,596 | 8,071 |
| Lease liabilities | | 1,677 | 8,799 |
| Bank loans | 12 | 234,541 | 274,869 |
| Other payables | 13 | 6,894 | 6,887 |
| | | <u>251,708</u> | <u>298,626</u> |
| Current liabilities | | | |
| Trade and other payables | 13 | 128,753 | 125,581 |
| Amounts due to non-controlling interests | | 420 | 420 |
| Lease liabilities | | 14,540 | 16,061 |
| Bank loans | 12 | 146,006 | 109,356 |
| Tax payable | | 3,544 | 1,922 |
| | | <u>293,263</u> | <u>253,340</u> |
| Total liabilities | | <u>544,971</u> | <u>551,966</u> |
| Total equity and liabilities | | <u>1,693,735</u> | <u>1,691,439</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.

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 unaudited condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

This unaudited condensed consolidated interim financial information was approved by the Board on 26 August 2024.

2 Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2024 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 D2 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 2023, 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 2023, except for the adoption of the amended HKFRSs and HKASs which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2024.

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 2023.

(a) Amended standards effective in 2024

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

(b) New and amended standards and interpretations which are not yet effective

The Group has not early applied the new and amended standards and interpretations that have been issued but not yet effective. The adoption of these new and 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 | |
|--|--------------------------|------------------|
| | 2024 HK\$'000 | 2023 HK\$'000 |
| <i>Revenues from contracts with customers within the scope of HKFRS 15</i> | | |
| Agency fee | 171,657 | 203,831 |
| <i>Revenues from other sources</i> | | |
| Rental income | 13,394 | 13,748 |
| Interest income from credit business | 16,479 | 12,940 |
| | 29,873 | 26,688 |
| Total revenues | 201,530 | 230,519 |

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 2024 | | | | | | | |
|---|-------------------------------|-----------------------|----------|----------|-----------------------|-----------------|-----------------------|-------|
| | 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 | 66,986 | 45,340 | 64,424 | 13,394 | 16,479 | - | 206,623 | |
| Inter-segment revenues | (2,127) | (2,103) | (863) | - | - | - | (5,093) | |
| Revenues from external customers | 64,859 | 43,237 | 63,561 | 13,394 | 16,479 | - | 201,530 | |
| Timing of revenue recognition | | | | | | | | |
| - At a point in time | 64,859 | 43,237 | 63,561 | - | - | - | 171,657 | |
| Rental income | - | - | - | 13,394 | - | - | 13,394 | |
| Interest income | - | - | - | - | 16,479 | - | 16,479 | |
| | 64,859 | 43,237 | 63,561 | 13,394 | 16,479 | - | 201,530 | |
| Segment results | 2,505 | 4,440 | 474 | 4,262 | 13,858 | - | 25,539 | |
| Fair value loss on investment properties | - | - | - | (3,400) | - | - | (3,400) | |
| Amortisation of right-of-use assets | (4,113) | (2,336) | (2,512) | - | - | - | (8,961) | |
| Depreciation of property and equipment | (1,164) | (523) | (654) | (9) | (5) | - | (2,355) | |
| Net impairment losses on financial assets | (2,288) | (872) | (4,516) | - | - | - | (7,676) | |
| Additions to non-current assets | 108 | 35 | 62 | - | - | - | 205 | |

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 2023 | | | | | | |
|---|-------------------------------|-----------------------|----------|-----------------------|-----------------|-----------------------|----------|
| | 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 | 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 |

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. 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 | |
|---|---------------------------------|-----------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Segment results for reportable segments | 25,539 | 34,716 |
| Corporate expenses | (6,151) | (8,639) |
| Bank interest income | 3,609 | 3,210 |
| Interest on bank loans | (12,023) | (9,892) |
| | <hr/> | <hr/> |
| Profit before taxation per condensed consolidated statement of comprehensive income | 10,974 | 19,395 |
| | <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 30 June 2024 | | | | | | |
|---------------------|-------------------------------|------------------------------|-----------------|------------------------------|------------------------|------------------------------|-----------------|
| | 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 assets | 42,332 | 26,992 | 55,906 | 1,006,673 | 345,084 | 5 | 1,476,992 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Segment liabilities | 41,992 | 26,347 | 52,837 | 21,698 | 751 | - | 143,625 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| | As at 31 December 2023 | | | | | | |
| | 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 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/> |

3 Revenues and segment information (continued)

(b) Segment information (continued)

Reportable segment assets are reconciled to total assets as follows:

| | As at 30 June 2024 HK\$'000 | As at 31 December 2023 HK\$'000 |
|---|--|--|
| Segment assets | 1,476,992 | 1,450,740 |
| Corporate assets | 205,400 | 230,158 |
| Deferred tax assets | 11,343 | 10,541 |
| Total assets per condensed consolidated balance sheet | <u>1,693,735</u> | <u>1,691,439</u> |

Reportable segment liabilities are reconciled to total liabilities as follows:

| | As at 30 June 2024 HK\$'000 | As at 31 December 2023 HK\$'000 |
|--|--|--|
| Segment liabilities | 143,625 | 140,420 |
| Corporate liabilities | 392,750 | 403,475 |
| Deferred tax liabilities | 8,596 | 8,071 |
| Total liabilities per condensed consolidated balance sheet | <u>544,971</u> | <u>551,966</u> |

4 Other (losses)/income, net

| | Six months ended 30 June 2024 HK\$'000 | 2023 HK\$'000 |
|---|---|--------------------------|
| Fair value loss on investment properties (note 9) | (3,400) | (2,900) |
| Gain on disposal of a subsidiary | - | 6,970 |
| Others | 285 | 280 |
| | <u>(3,115)</u> | <u>4,350</u> |

5 Other operating costs

| | Six months ended 30 June | |
|---|---------------------------------|-----------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Office and branch operating expenses (remark) | 5,598 | 7,421 |
| Government rent and rates, building management fee (leased properties and investment properties) | 3,527 | 3,756 |
| Legal and professional fee | 1,558 | 2,476 |
| Trademark licensing fee | 715 | 809 |
| Insurance expenses | 1,923 | 2,330 |
| Bank charges | 1,004 | 863 |
| Auditor's remuneration | | |
| – audit services | 733 | 629 |
| – interim results review | - | 343 |
| Others | 2,813 | 2,031 |
| | <u>17,871</u> | <u>20,658</u> |
| Other operating costs | <u>17,871</u> | <u>20,658</u> |

For the six months ended 30 June 2024, direct operating expenses arising from investment properties that generated rental income and did not generate rental income were HK\$3,053,000 and HK\$35,000 respectively, in which HK\$1,872,000 were included in other operating costs.

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.

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 | |
|-------------------------|---------------------------------|-----------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Current | | |
| – Hong Kong profits tax | 1,960 | 1,886 |
| – Deferred tax | (277) | 105 |
| | <u>1,683</u> | <u>1,991</u> |
| | <u>1,683</u> | <u>1,991</u> |

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2023: 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 2023.

7 Interim dividend

The Board does not declare an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

8 Earnings per share

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

| | Six months ended 30 June | |
|---|---------------------------------|------------------|
| | 2024 | 2023 |
| | HK\$'000 | HK\$'000 |
| Profit attributable to equity holders for calculation of basic and diluted earnings per share | <u>9,504</u> | <u>17,511</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>0.526</u> | <u>0.970</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.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

For the six months ended 30 June 2024 and 2023, the diluted earnings per share is the same as the basic earnings per share as the effect of the exercise of the share options of the Company would be anti-dilutive.

9 Investment properties

| | HK\$'000 |
|--|-------------------------|
| At 31 December 2023 and 1 January 2024 | 1,006,800 |
| Change in fair value recognised in the condensed consolidated statement of comprehensive income (note 4) | <u>(3,400)</u> |
| At 30 June 2024 | <u>1,003,400</u> |

Fair value loss of HK\$3,400,000 (for the six months ended 30 June 2023: HK\$2,900,000) on investment properties was recognised during the period.

Investment properties of HK\$896,900,000 (as at 31 December 2023: HK\$898,200,000) are pledged as security for the Group's bank loans (note 12).

10 Loan receivables

| | As at 30 June 2024 HK\$'000 | As at 31 December 2023 HK\$'000 |
|--|--|--|
| Loan receivables – property mortgage loans | <u>343,482</u> | <u>333,710</u> |

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 2024 HK\$'000 | As at 31 December 2023 HK\$'000 |
|----------------------|--|--|
| Past due | 68,315 | 52,095 |
| Mature within 1 year | <u>275,167</u> | <u>281,615</u> |
| | <u>343,482</u> | <u>333,710</u> |

Loan receivables represent 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 2024 HK\$'000 | As at 31 December 2023 HK\$'000 |
|----------------------------|--|--|
| Current (not yet due) | 91,908 | 60,097 |
| Less than 30 days past due | 2,620 | 4,741 |
| 31 to 60 days past due | 763 | - |
| | <u>95,291</u> | <u>64,838</u> |

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 2024 HK\$'000 | As at 31 December 2023 HK\$'000 |
|---------------------|--|--|
| Current portion | 146,006 | 109,356 |
| Non-current portion | 234,541 | 274,869 |
| | <u>380,547</u> | <u>384,225</u> |

The Group's bank loans are repayable as follows:

| | As at 30 June 2024 HK\$'000 | As at 31 December 2023 HK\$'000 |
|---|--|--|
| Secured bank loans without repayment on demand clause | | |
| - repayable within 1 year | 146,006 | 109,356 |
| - repayable after 1 year but within 2 years | 15,006 | 138,356 |
| - repayable after 2 years but within 5 years | 219,535 | 136,513 |
| | <u>380,547</u> | <u>384,225</u> |

The bank loans are secured by investment properties of HK\$896,900,000 (as at 31 December 2023: HK\$898,200,000) 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\$9,285,000 (as at 31 December 2023: HK\$17,214,000) 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\$9,504,000 (for the six months ended 30 June 2023: HK\$17,511,000).

The decline in profit of the Group was mainly attributable to the absence of disposal of property during the Interim Period and the poor performance of the non-residential market in Hong Kong. For the six months ended 30 June 2023, there was a realised gain of approximately HK\$7 million through capturing the capital appreciation from the disposal of a property investment. During the Interim Period, all three sub-segments, namely, industrial property, shop, and office suffered from the decline in the volume of transaction activities.

Lack of Stimulus Measures Led to Drop in Sales Activities

Unlike the residential property sector, which has benefitted from the removal of all the tightening measures, the non-residential property sector has had no reliefs. The much-anticipated new capital investment entrant scheme has not yet provided any new impetus, with only three cases of visa application being approved by the Hong Kong government in the first half of 2024. Cross-border consumption, elevated interest rate, and geopolitical tension have battered the non-residential property sector extremely hard.

After the border reopening, Hong Kong's retail sector has been negatively impacted by the strong US dollar, which has encouraged Hong Kong residents to spend their money outside the city. Furthermore, it has become a regular weekend activity for many Hong Kong people to dine and shop in the Greater Bay Area cities across the border in Mainland China. In April 2024, a month where the long Easter holiday took place, retail sales in Hong Kong recorded a stunning year-on-year drop of 16.5%. This downward trend in sales continued into the subsequent months as well. It is understandable that potential investors may hesitate to enter the market if neighbourhood shops and restaurants keep closing down.

Another concern for the property market is elevated interest rates. After an increase of 525 basis points in interest rates from 2021 to 2023, interest rates have remained flat for over a year. Even though there have been many forecasts from economists and analysts predicting an interest rate cut since late 2023, there is still no exact indication on timing or extent despite the clear intention of rate cuts shown by the Federal Reserve Chairman. Indeed, the non-residential property sector has mainly been dominated by investors whose appetite is hugely dependent on the direction of interest rate movements. As interest rates remained at elevated levels in the first half of 2024, the buying power of the investors shrank further. To make matters worse, local banks have adopted an extremely cautious stance in making non-residential mortgage loans, setting an extra hurdle for investors to buy properties. Furthermore, the upcoming US presidential election has introduced another source of uncertainty for the market. One of the presidential candidates, Donald Trump, has said that he would impose additional tariffs on Chinese imports if re-elected. Such rhetoric has also adversely impacted buyer confidence. The heightened geopolitical tension has prompted a lot of companies to put their expansion plan on hold.

The unfavourable market conditions sent the number of sales registrations of industrial units, shop and office down by around 30%, 13% and 30% year-on-year, respectively.

Key Profit Drivers: Property Investment and Money Lending Business

Due to the poor performance of the non-residential property sector, the property agency division registered a 15.8% decline in revenue in the Interim Period. Furthermore, the drop in property prices led to revaluation deficit of investment properties after revaluation, which also affected the Group's interim results. Facing with a series of challenges, the Group spared no efforts in mitigating the impacts of the market slowdown. Firstly, the Group took the initiative of cost cutting and some cost items such as salary and rental went down in the first half of 2024. Secondly, the initiative of deeply engaging with the business units of Midland Holdings Limited ("Midland"), a related company of the Group, reaped rewards as well. In the Interim Period, the Group's referral commissions from transactions relating to residential units increased substantially. The Group's property agency division's revenue should have dropped much more if there was no growth in the referral commission.

It is worth noting that the Group's other two business lines, namely, property investment and money lending business, continued to make positive contributions to its financial results. The Group's property investment portfolio comprises serviced apartments, shops, offices and industrial units. While the weak market conditions unavoidably had adverse impacts on some of the non-residential leasing properties, this was offset by the efforts of the Group's property management team in maximising the rental returns. The vibrant residential rental sector also benefitted the operations of the Group's serviced apartments. In the first half of 2024, the overall occupancy rate of the Group's rental portfolio managed to achieve a high occupancy rate despite the challenging market conditions.

The money lending business remained profitable in the first half of 2024. The overall loan portfolio size and number of new loan drawdowns both increased as the residential property market stabilised with the removal of all tightening measures. However, competition remained fierce in the elevated interest rate environment. Despite these challenges, the money lending division demonstrated its ability to grow while upholding a prudent credit approach.

OUTLOOK

Hope for the Dawn

Hong Kong's economic recovery has been stalled. The retail sector in particular has struggled with the impact of "revenge travel" as local residents increasingly shop and dine in Mainland China. This trend has been exacerbated by the strong US dollar, which has weakened Hong Kong's competitiveness while encouraging residents to spend abroad and making the city a more expensive destination for international visitors. It is highly likely that cross-border consumption may persist even if the Hong Kong dollar weakens in response to potential interest rate cuts later in 2024. But such a change in currency could help boost the number of arrivals in Hong Kong. Government efforts to organise world-class events and seasonal celebrations may also gradually drive tourism growth. Meantime, increases of duty-free shopping allowances brought into the Mainland from Hong Kong by visitors who are Mainland residents may provide support to the retail sector.

Market expectations indicate rate reductions are likely in late 2024, especially amid the fear of recession in the US. Yet with hope after hope of rate reduction dashed previously, investors may wait until actual rate cuts take place. Geopolitical risk also looms large in view of the upcoming US election which may impact Sino-US ties profoundly.

Mainland China's GDP rose 4.7% in the second quarter of 2024 as compared with the corresponding period in 2023, a weaker and slower increment than the prior quarter. Property market policies introduced in May 2024 have helped sentiment and Mainland developers' sales, but full effects may take time to kick in. Additional supportive economic measures were unveiled at Mainland China's third plenum in mid-July 2024, and Hong Kong stands to benefit alongside the Mainland economy from such actions.

Emerging New Drivers

The changing spending habits of Mainland Chinese tourists and youths have negatively impacted Hong Kong's retail sector. The good thing is that the Hong Kong government is going to organise more mega events and activities to better entice Mainland visitors and encourage spending while in the city. Occupying an area of about 28 hectares and being the largest sports infrastructure project in Hong Kong's history, the Kai Tak Sports Park will open in the first half of 2025. It will also serve as a performance venue for concerts of local artistes and international superstars, as well as variety shows. Concerts economics has the potential to drive a tourism boom in Hong Kong. Wealthy Mainland Chinese consumers are also displaying evolving tastes, from luxury brands towards more discreet and high-quality labels in view of economic uncertainty. This change in mindset has significantly reduced Mainland tourist consumption in Hong Kong, presenting challenges for local retailers. The Group is confident that Hong Kong's retail sector is able to adapt to the change in spending pattern, and the upper-end stores will focus on the "poshest of the posh" luxury brands.

Despite geopolitical uncertainties and market volatility, the Hong Kong wealth and asset management industry still managed to grow. Hong Kong is reportedly attracting wealthy Mainland Chinese back to the city after rolling out a lot of initiatives to entice them. As the Hong Kong government is scrambling for the top spot of wealth management in the region and the world, more and more family offices are expected to be set up in Hong Kong. Hence, the office segment may benefit.

The industrial properties segment has been battered by the elevated interest rate for quite some time. If interest rate, as expected, is cut in the second half of 2024, transaction activity may pick up.

Two Strings to Our Bow

The non-residential property sector has been underperforming. In the near term, business conditions are expected to remain challenging. The Group will strive to improve operating efficiency through cost control and new business initiatives.

Seeing improvements in the residential market sentiment, the Group has doubled efforts partnering with Midland to generate more referral commission from estate agency transactions. In the first half of 2024, the number of referrals from the Group to Midland members exceeded expectations. The Group will continue capitalising on opportunities in the relatively robust residential sector by devising measures to boost referrals.

For agency services, the Group will stay abreast of market shifts that may impact investors' property preferences. For example, the growing wealth management industry could significantly influence demand.

Non-agency businesses of the Group are expected to receive support. An influx of overseas talents and non-local students should benefit the Group's serviced apartments project. Meanwhile, the Group's property investment portfolio will be actively managed through tenancy and asset allocation reviews. Prospects for the money lending business are relatively complex as interest rate cuts could boost business but competition may intensify if borrowing costs fall. Given the weaknesses in the economy and potential downward pressure on property prices, the Group faces risks of increasing non-performing loans and bad debts. As such, the Group will closely monitor the performance of its loan portfolio.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2024, the Group had cash and cash equivalents of HK\$202,338,000 (as at 31 December 2023: HK\$219,181,000), whilst bank loans amounted to HK\$380,547,000 (as at 31 December 2023: HK\$384,225,000).

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

| | As at 30 June 2024 HK\$'000 | As at 31 December 2023 HK\$'000 |
|---|---|--|
| Secured bank loans without repayment on demand clause | | |
| - repayable within 1 year | 146,006 | 109,356 |
| - repayable after 1 year but within 2 years | 15,006 | 138,356 |
| - repayable after 2 years but within 5 years | 219,535 | 136,513 |
| | <hr/> 380,547 <hr/> | <hr/> 384,225 <hr/> |

The Group's bank loans were secured by certain investment properties held by the Group of HK\$896,900,000 (as at 31 December 2023: HK\$898,200,000). As at 30 June 2024, the Group had unutilised borrowing facilities amounting to HK\$93,000,000 (as at 31 December 2023: HK\$135,000,000) 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 30 June 2024, the gearing ratio of the Group was 33.1% (as at 31 December 2023: 33.7%). 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 2.2 (as at 31 December 2023: 2.5). The return on equity of the Group, which is the ratio of profit for the period over total equity was 0.81% (for the six months ended 30 June 2023: 1.50%).

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.

Fair value losses on revaluation of investment properties

During the period, the Group recorded a fair value loss of HK\$3.4 million (for the six months ended 30 June 2023: HK\$2.9 million) on revaluation of investment properties.

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

As at 30 June 2024, the outstanding loan receivables was HK\$343.5 million (as at 31 December 2023: HK\$333.7 million). The outstanding loan balance involved 35 cases (as at 31 December 2023: 36 cases) with different borrowers. The largest outstanding loan receivable was HK\$60.0 million (representing approximately 17% of the outstanding loan portfolio as a whole) which was secured by a first mortgage over a residential property and a car parking space located at a prime location with a loan to value ratio of approximately 67%. The second largest outstanding loan receivable was HK\$49.2 million (representing approximately 14% 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 79%. As at 30 June 2024, the amount of loan receivables from the five largest borrowers was HK\$171.6 million (as at 31 December 2023: HK\$176.6 million), representing approximately 50% of the outstanding loan portfolio as a whole (as at 31 December 2023: 53%).

As at 30 June 2024, 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 57% (as at 31 December 2023: 60%). No impairment loss on loan was made during the period (for the six months ended 30 June 2023: 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 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 2024, the Group employed 431 full-time employees (as at 31 December 2023: 480).

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 2023: 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 C1 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 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 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.

PUBLICATION OF 2024 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 2024 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

The Board would like to take this opportunity to express its 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
MUI Ngar May, Joel
Company Secretary

Hong Kong, 26 August 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.