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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 2022

The board of directors (the “Board”) of Legend Upstar Holdings Limited (the “Company”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2022 (the “Interim Period”) together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000
Revenues	3	262,325	288,818
Other income, net	4	1,512	524
Staff costs		(121,307)	(156,348)
Rebate incentives		(82,569)	(33,048)
Advertising and promotion expenses		(5,092)	(3,923)
Amortisation of right-of-use assets		(14,421)	(13,242)
Depreciation of property and equipment		(1,664)	(821)
Net impairment losses on financial assets		(10,056)	(18,393)
Other operating costs	5	(25,109)	(19,831)
Operating profit		3,619	43,736
Bank interest income		14	209
Interest on bank loans		(2,834)	(1,239)
Interest on lease liabilities		(245)	(253)
Interest on convertible note		-	(1,829)
Profit before taxation		554	40,624
Taxation	6	(85)	(7,387)
Profit and total comprehensive income for the period		469	33,237

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

For the six months ended 30 June 2022

	<i>Note</i>	Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
Profit/(loss) and total comprehensive income/(loss) attributable to :			
Equity holders		437	33,255
Non-controlling interests		32	(18)
		469	33,237
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	8		
Basic		0.024	1.842
Diluted		0.024	1.728

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 June 2022

		As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
ASSETS			
Non-current assets			
Property and equipment		7,142	3,626
Right-of-use assets		38,195	26,361
Investment properties	9	1,049,200	974,200
Deposits		3,050	28,401
Loan receivables	11	10,000	10,000
Other financial assets at amortised cost		-	4,036
Deferred tax assets		11,996	6,349
		<u>1,119,583</u>	<u>1,052,973</u>
Current assets			
Trade and other receivables	10	157,211	142,271
Loan receivables	11	408,015	307,721
Other financial assets at amortised cost		-	2,337
Tax recoverable		1,852	2,146
Cash and cash equivalents		137,584	285,825
		<u>704,662</u>	<u>740,300</u>
Total assets		<u><u>1,824,245</u></u>	<u><u>1,793,273</u></u>
EQUITY AND LIABILITIES			
Equity holders			
Share capital		180,528	180,528
Share premium		745,086	745,086
Reserves		207,405	205,297
		<u>1,133,019</u>	<u>1,130,911</u>
Non-controlling interests		<u>6,985</u>	<u>6,953</u>
Total equity		<u><u>1,140,004</u></u>	<u><u>1,137,864</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
(CONTINUED)

As at 30 June 2022

	<i>Note</i>	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		7,217	6,445
Lease liabilities		20,154	11,213
Bank loans	12	360,605	367,728
		<u>387,976</u>	<u>385,386</u>
Current liabilities			
Trade and other payables	14	216,257	186,740
Amounts due to non-controlling interests	15	420	420
Lease liabilities		25,005	20,736
Bank loans	12	44,246	54,246
Tax payable		10,337	7,881
		<u>296,265</u>	<u>270,023</u>
Total liabilities		<u>684,241</u>	<u>655,409</u>
Total equity and liabilities		<u>1,824,245</u>	<u>1,793,273</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 2022.

By a special resolution passed at the annual general meeting of the Company held on 22 June 2022, the English name of the Company was changed from “Midland IC&I Limited” to “Legend Upstar Holdings Limited” and the dual foreign name in Chinese of the Company was changed from “美聯工商舖有限公司” to “駿聯控股有限公司” (the “Change of Company Name”).

Details of the Change of Company Name were set out in the announcements of the Company dated 29 March 2022 and 22 July 2022, and the circular of the Company dated 29 April 2022.

2 Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 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 2021, 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 2021, except for the adoption of the new or amended HKFRSs, HKASs and interpretations which are relevant to the operations of the Group and mandatory for annual periods beginning 1 January 2022.

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 2021.

(a) New interpretations and amendments effective in 2022

The adoption of the new or revised interpretations and amendments does not have a material impact to the Group's results of operations or financial position.

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

The Group has not early applied the new or revised standards, interpretations and amendments that have been issued but not yet effective. The adoption of these new or revised standards, interpretations and amendments 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	
	2022	2021
	HK\$'000	HK\$'000
<i>Revenues from contracts with customers within the scope of HKFRS 15</i>		
Agency fee	231,951	270,252
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<i>Revenues from other sources</i>		
Rental income	12,328	9,558
Interest income from credit business	17,987	7,980
Interest income from securities investment	59	1,028
	-----	-----
	30,374	18,566
	-----	-----
Total revenues	262,325	288,818
	=====	=====

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 2022						
	Property agency			Properties investment	Credit business	Securities investment	Total
	Commercial properties	Industrial properties	Shops				
	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’000	HKS’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

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 2021						
	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	113,564	62,744	107,528	9,558	7,980	1,028	302,402
Inter-segment revenues	(3,298)	(4,132)	(6,154)	-	-	-	(13,584)
Revenues from external customers	110,266	58,612	101,374	9,558	7,980	1,028	288,818
Timing of revenue recognition							
- At a point in time	110,266	58,612	101,374	-	-	-	270,252
Rental income	-	-	-	9,558	-	-	9,558
Interest income	-	-	-	-	7,980	1,028	9,008
	110,266	58,612	101,374	9,558	7,980	1,028	288,818
Segment results	14,920	5,561	18,149	5,808	5,342	817	50,597
Amortisation of right-of-use assets	(5,588)	(2,900)	(4,754)	-	-	-	(13,242)
Depreciation of property and equipment	(58)	(250)	(478)	(32)	(3)	-	(821)
Net impairment losses on financial assets	(4,422)	(1,466)	(12,505)	-	-	-	(18,393)
Additions to non-current assets	9	424	36	15	1	-	485

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Fair value gain on convertible note, government subsidy, corporate expenses, bank interest income, interest on bank loans, interest on convertible note 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	
	2022	2021
	HK\$'000	HK\$'000
Segment results for reportable segments	10,482	50,597
Fair value gain on convertible note (note 13)	-	517
Government subsidy	1,600	-
Corporate expenses	(8,708)	(7,631)
Bank interest income	14	209
Interest on bank loans	(2,834)	(1,239)
Interest on convertible note (note 13)	-	(1,829)
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Profit before taxation per condensed consolidated statement of comprehensive income	554	40,624
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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 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 assets	96,592	52,228	46,400	1,053,860	418,999	-	1,668,079
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Segment liabilities	108,009	71,144	53,082	1,512	6,507	279	240,533
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	As at 31 December 2021						
	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	37,334	73,504	52,708	1,007,091	317,874	6,373	1,494,884
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Segment liabilities	38,309	80,696	60,329	19,855	3,824	259	203,272
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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 2022 HK\$'000	As at 31 December 2021 HK\$'000
Segment assets	1,668,079	1,494,884
Corporate assets	144,170	292,040
Deferred tax assets	11,996	6,349
Total assets per condensed consolidated balance sheet	<u>1,824,245</u>	<u>1,793,273</u>

Reportable segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Segment liabilities	240,533	203,272
Corporate liabilities	436,491	445,692
Deferred tax liabilities	7,217	6,445
Total liabilities per condensed consolidated balance sheet	<u>684,241</u>	<u>655,409</u>

4 Other income, net

	Six months ended 30 June 2022 HK\$'000	2021 HK\$'000
Fair value loss on investment properties (note 9)	(201)	-
Fair value gain on convertible note (note 13)	-	517
Government subsidy	1,600	-
Gain on disposal of other financial assets at amortised cost	17	-
Others	96	7
	<u>1,512</u>	<u>524</u>

Subsidy received under the Employment Support Scheme of HK\$1,600,000 is included in the government subsidy (for the six months ended 30 June 2021: nil). There are no unfulfilled conditions or other contingencies attaching to these grants.

5 Other operating costs

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Office and branch operating expenses (remark)	7,871	6,372
Government rent and rates, building management fee (leased properties and investment properties)	3,717	2,782
Legal and professional fee	7,457	3,420
Trademark licensing fee	751	1,189
Insurance expenses	1,849	1,865
Bank charges	939	431
Auditor's remuneration		
– audit services	629	629
– interim results review	343	343
Others	1,553	2,800
Other operationg costs	<u>25,109</u>	<u>19,831</u>

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.

For the six months ended 30 June 2021, direct operating expenses arising from investment properties that generated rental income were HK\$2,373,000 in which HK\$1,197,000 were included in other operating costs.

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

6 Taxation

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current		
– Hong Kong profits tax	4,960	3,363
Deferred tax	(4,875)	4,024
	<u>85</u>	<u>7,387</u>

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2021: 16.5%) on the estimated assessable profit for the period, except for one subsidiary of the Group 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 2021.

7 Interim dividend

The Board does not declare an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

8 Earnings per share

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Profit attributable to equity holders for calculation of basic earnings per share	437	33,255
Effect on conversion of convertible note	-	1,312
	<u>437</u>	<u>34,567</u>
Profit for calculation of diluted earnings per share	437	34,567
Weighted average number of shares for calculation of basic earnings per share (thousands)	1,805,283	1,805,283
Effect on conversion of convertible note (thousands)	-	194,571
	<u>1,805,283</u>	<u>1,999,854</u>
Weighted average number of shares for calculation of diluted earnings per share (thousands)	1,805,283	1,999,854
Basic earnings per share (HK cents)	0.024	1.842
Diluted earnings per share (HK cents)	0.024	1.728

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 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 have an anti-dilutive effect.

For the six months ended 30 June 2021, the weighted average number of shares was adjusted to assume conversion of all dilutive potential shares from the convertible note. The convertible note was assumed to have been converted into ordinary shares and the result was adjusted to eliminate the related expenses.

9 Investment properties

	HK\$'000
At 31 December 2021 and 1 January 2022	974,200
Additions	26,401
Addition of investment property through the acquisition of a subsidiary	48,800
Change in fair value recognised in the condensed consolidated statement of comprehensive income (note 4)	(201)
	<u>1,049,200</u>
At 30 June 2022	<u>1,049,200</u>

Fair value loss of HK\$201,000 (for the six months ended 30 June 2021: nil) on investment properties was recognised during the period.

Investment properties of HK\$854,300,000 (as at 31 December 2021: HK\$853,200,000) are pledged as security for the Group's bank loans (note 12).

10 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 2022 HK\$'000	As at 31 December 2021 HK\$'000
Current (not yet due)	131,690	112,516
Less than 30 days past due	2,635	5,617
31 to 60 days past due	1,325	1,354
61 to 90 days past due	563	1,825
More than 90 days past due	167	2,360
	<u>136,380</u>	<u>123,672</u>

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:

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Within 1 year	408,015	307,721
After 1 year but within 2 years	10,000	10,000
	<u>418,015</u>	<u>317,721</u>

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

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

12 Bank loans

The Group's bank loans comprise the following:

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Current portion	44,246	54,246
Non-current portion	360,605	367,728
	<u>404,851</u>	<u>421,974</u>

12 Bank loans (continued)

The Group's bank loans are repayable as follows:

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Secured bank loans without repayment on demand clause		
- repayable within 1 year	44,246	54,246
- repayable after 1 year but within 2 years	111,746	14,246
- repayable after 2 years but within 5 years	248,859	353,482
	<u>404,851</u>	<u>421,974</u>

The bank loans are secured by investment properties of HK\$854,300,000 (as at 31 December 2021: HK\$853,200,000) 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 Convertible note

On 22 March 2017, the Company issued zero coupon and unsecured convertible note due on 22 March 2021 (the "Maturity Date") to Mr. WONG Kin Yip, Freddie ("Mr. WONG"), in the aggregate principal amount of HK\$200 million as part of the consideration for the acquisition of a subsidiary. Mr. WONG is the director and substantial shareholder of the Company, and the father of Ms. WONG Ching Yi, Angela and Mr. WONG Alexander Yiu Ming, the directors of the Company. The holder of the convertible note shall have the right to convert on or before the Maturity Date the whole or any part of the principal amount of the convertible note into fully paid ordinary shares of the Company with a par value of HK\$0.10 (after the effect of share consolidation) each at an initial conversion price of HK\$0.46 (after the effect of share consolidation) per ordinary share of the Company. Unless previously converted, purchased or cancelled, this note would be redeemed at their principal amount on the Maturity Date.

The movement of the liability component of convertible note recognised in the condensed consolidated balance sheet is set out below:

	2021 HK\$'000
At 1 January	198,688
Interest expenses	1,829
Fair value gain (note 4)	(517)
Redemption	<u>(200,000)</u>
At 30 June	<u>-</u>

The Company has fully redeemed the convertible note at its principal amount of HK\$200 million on the Maturity Date.

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\$32,372,000 (as at 31 December 2021: HK\$19,865,000) 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.

15 Amounts due to non-controlling interests

The amounts are unsecured, interest free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group announces that it recorded a profit attributable to equity holders of approximately HK\$437,000 for the Interim Period (for the six months ended 30 June 2021: HK\$33,255,000).

During the Interim Period, the Group recorded a substantial decline in financial results, which was mainly attributable to, among other factors, the adverse market conditions caused by the outbreak of the fifth wave of the COVID-19 pandemic in Hong Kong since January 2022, which led to a significant drop in the transaction value and volume of the non-residential properties in Hong Kong.

Legend Credit Limited (“Legend Credit”), the money lending unit of the Group, recorded an increase in profit. In addition, the property investment portfolio also recorded a gain in net income as the occupancy rate of the existing properties improved and the newly acquired properties began to contribute rental income.

Weak First Half Impeded Industry Development

In early 2022, the outbreak of the Omicron variant led to the implementation of the toughest social-distancing measures by the HKSAR government since the onset of the pandemic. Economic activities in Hong Kong came to a standstill. At the same time, the recovering economy of Mainland China was also affected by the pandemic. Worse still, interest rate hikes triggered by the fear of worldwide inflation and the Russo-Ukraine conflict weighed heavily on the already weak market. In the view of the internal concerns and external issues, the local economy and the property market were significantly impacted. The registration volume for non-residential properties in the first half of 2022 fell by 23.1% as compared with the corresponding period in 2021 to around 7,847 units.

In order to stimulate the Hong Kong economy, the government relaxed the COVID-19 prevention measures in April and re-launched the Consumption Voucher Scheme, which helped to provide a strong boost to the local retail market. Local retail sales in April increased substantially by 26.9% as compared with that in March, but its performance declined slightly in May. As the local economy was far from full recovery, the anticipated “revenge spending” of Hong Kong people did not take place. Despite a strong increase in food and beverage spending after the relaxation of the COVID-19 prevention measures, it was not enough to bring the retail sector back to its heyday. The retail sector was still struggling as the number of tourist arrivals continued to be affected due to Hong Kong’s strict quarantine measures, which also drastically reduced the number of transactions in the office sector. Many multinational companies have decided to relocate their senior staff to other Asian regions, for instance, Singapore. The number of registration of offices recorded a 38.7% drop in the first half of 2022, as compared with the corresponding period in 2021. For the industrial sector, which has always been supported by investors, transaction activities were hit by the interest rate hikes in the US. According to the figures from the Land Registry, only 1,567 sales registrations of industrial properties were recorded in the first half of 2022, representing a decline of 21.2% as compared with that in the corresponding period in 2021.

OUTLOOK

Local Market Still Faces Challenges

For the macroeconomic environment, the geopolitical frictions, the surging inflation, the weakened consumer confidence, the uncertainties of the pace of increase in interest rates and the shrinking of global liquidity resulting from tightening policies may negatively impact the global and local economy.

In Mainland China, its economy performed well during the initial phase of the pandemic, however, it has also been affected by the fifth wave of the pandemic and has to face challenges such as infection prevention restrictions and inflation. Recently, homeowners in the Mainland China started the “mortgage boycott” campaign on unfinished properties, which might dent the confidence of homebuyers in pre-sales of uncompleted properties. Nevertheless, the long-term impact of this incident on the overall property market is unlikely to be significant.

In Hong Kong, the brain drain caused by a new wave of emigration and the departure of foreign professionals prompted by the tight quarantine requirements have posed challenges to multinational companies in recruitment and retention, thus in effect undermining the role of Hong Kong as an international financial centre. This in particular has adversely affected the office sector. Furthermore, as the pandemic is still raging and there is no time-table for the reopening of the border between Hong Kong and Mainland China, it would be difficult for the retail sector to fully recover without the support of Mainland tourists. As inflation intensifies, it is believed that local retail sales will continue to suffer. US interest rate hikes will further dampen investment sentiment, dragging down the performance of the industrial sector.

Gradual Relaxation of COVID-19 Prevention Measures

In the near term, the central government is expected to launch more economic stimulating policies. The reduction of the lending rate in mid-August by the People's Bank of China is perhaps just the first step. In long run, it is expected that the GDP of Mainland China will continue to grow when the impacts of the economic stimulus gradually kick in. Furthermore, Mainland China plans to build a high-standard market system that is unified and open with orderly competition to provide potential growth to the future economic development. Mainland China occupies an important position in the world market, while Hong Kong is still the most important international capital market that acts as a gateway for foreign capital to enter Mainland China. Therefore, it is still attractive to the foreign institutions to set up their operations in Hong Kong.

The Group is confident about Hong Kong's prospects. This year marks the 25th anniversary of the establishment of the Hong Kong Special Administrative Region. During President Xi Jinping's visit to Hong Kong in July 2022, he stated that Hong Kong should continue to maintain its uniqueness. It is generally believed that the new term of government will bring the focus of Hong Kong to its economic development. Moreover, the government announced that starting from 12 August, inbound persons from overseas places or Taiwan will be subject to quarantine under the "3+4" model instead of the previous seven-day quarantine. Visitors who are not infected can go out during the four-day medical surveillance period. This new measure has added greater flexibility for visitors and lowered their costs. This move is thought to be the government's preparation for allowing inbound visitors to conditionally enter Hong Kong without quarantine in November. At present, the government is actively pursuing the Global Financial Leaders' Investment Summit to be held in November, which is believed to further strengthen Hong Kong's position as an international financial centre and to improve its property sales and rental markets.

In addition, the rollout of the Consumption Voucher Scheme (phase II) in August, together with the "Hong Kong Sevens" to be held in November, will benefit the retail sector and transactions of shops may drive up in the second half of 2022.

Diversification Strategy Bears Fruit Name Change Boosts Business

During the Interim Period, both money lending and property investment businesses managed to register an increase in profit, indicating that the diversification strategy has continued to pay off, and helped to offset the financial loss of the Group in the first half of 2022.

Furthermore, the Group has changed the English name of the Company from "Midland IC&I Limited" to "Legend Upstar Holdings Limited" and the Chinese name of the Company from "美聯工商舖有限公司" to "駿聯控股有限公司". The Group believes that this change will better reflect the Group's different principal business activities, corporate structure, strategic business plan and future development direction, and will benefit the future business development of the Group. Currently, the Group is principally engaged in 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.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2022, the Group had cash and cash equivalents of HK\$137,584,000 (as at 31 December 2021: HK\$285,825,000), whilst bank loans amounted to HK\$404,851,000 (as at 31 December 2021: HK\$421,974,000).

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

	As at 30 June 2022 HK\$'000	As at 31 December 2021 HK\$'000
Secured bank loans without repayment on demand clause		
- repayable within 1 year	44,246	54,246
- repayable after 1 year but within 2 years	111,746	14,246
- repayable after 2 years but within 5 years	248,859	353,482
	404,851	421,974

The Group's bank loans were secured by certain investment properties held by the Group of HK\$854,300,000 (as at 31 December 2021: HK\$853,200,000). As at 30 June 2022, the Group had unutilised borrowing facilities amounting to HK\$105,000,000 (as at 31 December 2021: HK\$105,000,000) 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 2022, the gearing ratio of the Group was 35.5% (as at 31 December 2021: 37.1%). 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 2.4 (as at 31 December 2021: 2.7). The return on equity of the Group, which is the ratio of profit for the period over total equity was 0.04% (for the six months ended 30 June 2021: 2.96%).

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 of the Company (the "Directors") consider that the foreign exchange exposure of the Group is minimal.

Acquisition of properties

(i) Acquisitions completed during the Interim Period

During the year ended 31 December 2021, the Group entered into a property acquisition agreement (the "Property Acquisition Agreement") and a target company acquisition agreement (the "Target Company Acquisition Agreement").

Pursuant to the Property Acquisition Agreement, the Group has agreed to acquire a shop in Hong Kong at a consideration of HK\$25.9 million. This transaction was completed in January 2022.

Pursuant to the Target Company Acquisition Agreement, the Group has agreed to acquire the entire issued shares (and including the assignment of sale debt) of the target company at a consideration of HK\$48.8 million. The principal asset of the target company is a shop in Hong Kong. This transaction was completed in April 2022.

Details of the acquisitions were set out in the Company's announcements dated 18 August 2021, 2 December 2021, 17 December 2021, 3 January 2022 and 12 April 2022.

(ii) Acquisition completed after the Interim Period

In April 2022, the Group has further entered into a property acquisition agreement to acquire a shop in Hong Kong at a consideration of HK\$21.5 million. This transaction has been completed in July 2022.

Details of the acquisition were set out in the Company's announcements dated 13 April 2022 and 15 July 2022.

All the above properties are leased/intended to be leased out for rental income. The Group settled the above acquisitions using internal resources and/or external financing of the Group.

The financial position of the Group remains solid and healthy. The above acquisitions allow the Group to further broaden the income source and allow the Group to enjoy the possible capital appreciation of the properties.

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

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

As at 30 June 2022, the outstanding loan receivable was HK\$418.0 million (as at 31 December 2021: HK\$317.7 million). The outstanding loan balance involved 47 cases (as at 31 December 2021: 41 cases) with different borrowers. The single largest loan granted was HK\$55.0 million (representing approximately 13% 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 74%. Amongst the outstanding loan portfolio, over 99.7% was secured by first mortgage over residential and non-residential properties, with an overall loan to value ratio of 59%. No impairment loss on loan was made during the period under review.

The credit business of the Group is operated by Legend Credit, the Group's money lending unit. Such credit business provides a stable revenue and cashflow 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 minimize 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

As at 30 June 2022, the Company executed corporate guarantee of HK\$517,650,000 (as at 31 December 2021: HK\$527,650,000) as the securities for general banking facilities and bank loans granted to certain subsidiaries. As at 30 June 2022, banking facilities of HK\$404,851,000 were utilised by these subsidiaries (as at 31 December 2021: HK\$421,974,000).

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. Among which, a trial of a case with a claim of HK\$120,600,000 has commenced during the Interim Period. The judgement of this case will be handed down in May 2023. 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 2022, the Group employed 634 full-time employees (as at 31 December 2021: 659).

The Group provides remuneration package to employees 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 2021: 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 2022 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 2022 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 our deep gratitude to our shareholders and customers, and to thank our management and staff for their efforts during the Interim Period. We will continue to use our best efforts to deliver quality services, and to create a better tomorrow for the Group.

By Order of the Board
Legend Upstar Holdings Limited
WONG Ching Yi, Angela
Executive Director

Hong Kong, 29 August 2022

As at the date of this announcement, the Board comprises eight 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 four are Independent Non-Executive Directors, namely Mr. SHA Pau, Eric, Mr. HO Kwan Tat, Ted, Mr. WONG Chung Kwong and Mr. LI Wai Keung.