勇往直前 乘風振翅

Soaring through Storms to Reach New Heights

美聯集團
MIDLAND HOLDINGS
Midland Holdings Limited
Incorporated in Bermuda with limited liability
(Stock Code 股份代號：1200)

Annual Report 2021 年報

www.midland.com.hk

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Kin Yip, Freddie *(Chairman)*
Ms. WONG Ching Yi, Angela
(Deputy Chairman and Managing Director)
Mr. WONG Tsz Wa, Pierre
(Managing Director)
Mr. CHEUNG Kam Shing

Independent Non-Executive Directors

Mr. HO Kwan Tat, Ted
Mr. SUN Tak Chiu
Mr. WONG San

AUDIT COMMITTEE

Mr. HO Kwan Tat, Ted
(Committee Chairman)
Mr. SUN Tak Chiu
Mr. WONG San

REMUNERATION COMMITTEE

Mr. SUN Tak Chiu
(Committee Chairman)
Mr. WONG Kin Yip, Freddie
Ms. WONG Ching Yi, Angela
Mr. HO Kwan Tat, Ted
Mr. WONG San

NOMINATION COMMITTEE

Mr. HO Kwan Tat, Ted
(Committee Chairman)
Mr. WONG Kin Yip, Freddie
Ms. WONG Ching Yi, Angela
Mr. SUN Tak Chiu
Mr. WONG San

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

Ms. WONG Ching Yi, Angela
Mr. SZE Ka Ming

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 2505-8, 25th Floor
World-Wide House
19 Des Voeux Road Central
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor
Prince's Building
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
OCBC Wing Hang Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor
North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Abacus Limited
Level 54
Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.midland.com.hk

STOCK CODE

1200

Strategic Business Units

美聯集團 MIDLAND HOLDINGS
(1200) 香港聯交所上市公司

- REAL ESTATE AGENCY
  - 美聯物業 MIDLAND REALTY
  - 美聯工商舖 MIDLAND IC&I * (459) 香港聯交所上市公司
  - 美聯中國
  - 美聯澳門 MIDLAND MACAU
  - 香港置業 HONG KONG PROPERTY
  - 美聯環球 MIDLAND GLOBAL
- FINANCIAL SERVICES
  - MIDLAND FINANCIAL GROUP 美聯金融集團
- IMMIGRATION CONSULTANCY
  - 美聯移民顧問 MIDLAND IMMIGRATION CONSULTANCY
- PROPERTY VALUATION
  - 美聯測量師行 MIDLAND SURVEYORS
- TRAINING SERVICES
  - (Midland University)
- MORTGAGE BROKERAGE
  - 長和集團・美聯集團之聯營公司 經絡按揭轉介 (mReferral Mortgage Brokerage Services)
- MORTGAGE LOAN
  - 駿聯信貸 LEGEND CREDIT *

* Related Company

Strategic Business Units	Business Description
Midland Realty	Provision of residential property agency services in Hong Kong
Midland IC&I*	A related company of the Company, providing non-residential property agency services in respect of industrial, commercial and shop properties and property investment in Hong Kong
Midland China	Provision of property agency services, project planning, commercial property management and marketing and sales planning in the PRC
Midland Macau	Provision of property agency services, surveying, project planning, leasing and property management services in Macau
Hong Kong Property	Provision of residential property agency services in Hong Kong
Midland Global	Provision of overseas property projects' marketing and referral services in the PRC, Hong Kong and Macau
Midland Financial Group	A joint venture of the Company, providing independent financial planning consultancy services, insurance brokerage and wealth management services
Midland Immigration Consultancy	Provision of immigration consultancy services in Hong Kong and Macau
Midland Surveyors	Provision of professional surveying consultancy services including valuation advisory, development study, sales, marketing, tender and auction for projects
Midland University	Group's training center with the vision to strengthen the professionalism of employees, to lead the market as well as to cultivate elite for the industry
mReferral Mortgage Brokerage Services	A joint venture with a major developer, offering mortgage referral services as well as provision of related information
Legend Credit*	A related company of the Company, providing mortgage loan services in Hong Kong

* Related Company

Major Events and Awards for the Year

Organising the first online award ceremony and honoring frontline elites twice under the pandemic

Despite the pandemic, the Group managed to achieve remarkable results to which our elites deserve all the credits. Thus, the Group held an award presentation ceremony at a six-star hotel in mid-2021 with the management presenting the awards to frontline elites in person to recognise their hard work.

The prolonged pandemic could not deter the Group from recognising its staff. Thus, it pioneered the industry by holding the first online award presentation ceremony which was kick-started by showcasing the Group's achievements and delightful moments in 2021 through well-produced videos. To highlight the glory of the winners, the management presented some of the awards in person while the remaining awardees were invited to express their feelings through short videos. In order to allow the awardees to celebrate the glorious moment with their friends, family and clients, the Group even deployed the latest "Time Stamp" technology that enables audience to watch a specific part of the video with just one click.

Receiving developers' commendation for consecutive successes in new property projects

The Group seized market opportunities and achieved a series of outstanding sales performances in new property projects, which earned us extensive trust from developers. In addition to being appointed as the sole agent for a number of new developments such as Emerald Bay, La Aldea, La Maison De La Salle and VAU Residence, the Group has also won the top spot in the sales of a number of new property projects.

Creating remarkable customer experience with the new "Midland Deluxe" website

The Group is committed to providing personalised customer experience according to the needs of different customers. Thus, it pioneered the industry to launch a new website named "Midland Deluxe" to cater for the surging demand in luxury properties and associated information. With the help of a designated professional team which offers VR videos, photos, news and useful information pertaining to top-tier properties, customers are then able to find desirable and comfortable properties and enjoy the most thoughtful home purchase experience.

Major Events and Awards for the Year

Becoming the judge of HKSTP's sci-tech competition under the online property hunting trend

Online property hunting has become a popular trend under the pandemic, with the number of visits and inquiries of Midland's website and app both hitting a record high of 180 million and 310 thousand respectively. To provide customers with the best property journey, the Group has become the strategic partner of Hong Kong Science Park (HKSTP) on a 3-year term, and was invited to be the judge of the science innovation competition, "Elevator Pitch Competition" which allowed it to identify innovative solutions for property hunting. What's more, it was also the first property agency in China to partner with the spatial data giant, Matterport, Inc. and introduce the "Digital Twin" technology with which customers can design their homes in a virtual space and even purchase the furniture they need directly. In order to help customers minimise the risk of COVID infection, the Group even launched the industry's first "VR Property Tour with Agents", enabling customers to join the agent online in "contactless property tours" with the use VR technologies as if they are there in person.

Winning 5 "Investor Relations Awards"

The Group is committed to promoting its corporate governance and maintaining good investor relations. Thanks to that, it has once again won 5 of the "Investor Relations Awards (Small Cap Category)" from the Hong Kong Investor Relations Association, namely "Best IR by Chairman/CEO", "Best IR Company", "Best IRO", "Best IR Team" and "Best Investor Meeting". As the only award-winning property agency, the Group has its leading position in the industry testified.

Clinching accolades from Hong Kong Call Centre Association (HKCCA) for 4 years

To constantly enhance our service quality, the Group established the industry's first "Integrated Customer Centre" in 2016 to understand customer needs. The service has been well received after its launch, and has earned us awards from HKCCA for 4 consecutive years. In addition to the Silver Award for "Inbound Contact Centre of the Year", the Group surpassed numerous companies and won the Gold Award for "Best Contact Centre in Omni-channel Deployment" for the first time in 2021. What's more, it was also invited to be a guest speaker at the symposium to share its achievements with a number of industry giants, thereby securing its position as the industry leader while helping the industry move forward.

Winning HK01's "FinTech Award" for the first time

Over the years, the Group has been actively promoting the digitisation of its business and expanding the scope of data applications, with a view to creating a thoughtful home purchase journey for its customers. It was the first time that the Group won the "Leading User-Rated Property Hunting App" award in the "FinTech Award" co-organised by HK01 and 01 ICON. More importantly, the Group was the only awardee in the real estate agency industry, which serves as a strong testament to its leading position in technology advancement.

Presenting awards in the CPU Annual Conference to encourage staff

The Group has always valued and cared for its staff, and is committed to creating a pleasant working environment for them. Thus, it organises the "Central Professional Unit (CPU) Annual Conference" for its CPU staff on a yearly basis. Apart from listening and responding to staff opinions, the Group also presented several CPU awards, such as "Best Team Award", "Manager of the Year Award" and "Outstanding Employee Award", to recognise staff with remarkable contribution and performance in the previous year.

Obtaining exceptional results at the 53rd "Distinguished Salesperson Award"

Upholding the spirit of "Nurturing Talents", the Group is committed to cultivating elites for the industry. In this regard, the Group has sent elite staff to take part in the "Distinguished Salesperson Award" competition for 12 years in a row and this is the 5th consecutive year that all candidates from Midland Realty managed to clinch the award in the contest. To celebrate the Group's tremendous success in nurturing talents, the management was present at the award presentation ceremony to congratulate and recognise the winning elites in person.

Recording millions of monthly log-ins for the optimised property management system "M One"

The Group believes that sharp tools make good work. As such, in order to provide comprehensive support to the frontline staff, it has optimised its property management system, "M One" by launching 2 daily updated functions, including "First-hand Listing 2.0" and an exclusive electronic consumption chart. This allows its staff to stay abreast of the latest first-hand and second-hand property listings via mobile phones and tablets, thereby helping them to grasp business opportunities anytime and anywhere.

Winning the "Hong Kong Outstanding Listed Enterprises" for 9 years

Thanks to its well-established reputation in Hong Kong, the Group has been awarded in the "Hong Kong Outstanding Listed Enterprises" organised by the Economic Digest for 9 years in a row. This year, the Group received the "Outstanding Real Estate Agency" award and this served as strong proof of its pioneering position in the industry.

Acknowledging staff contribution with celebration dinners

The pandemic wreaked havocs around the globe, countless businesses struggled to survive. However, with concerted efforts by and mutual support among all its frontline and back office staff, the Group managed to boost the market share in the first and second-hand markets and recorded a 3-year high in its interim results. In order to thank its staff for their efforts, the Group held an array of celebration events, where the management acknowledged all department's contribution and encourage them to keep up the good work in the coming year to reach new heights.

Organises a series of large-scale job fairs to expand manpower pool

With the property market booming and the labour demand growing significantly in 2021, the Group seized the opportunity to expand by organising a host of large-scale recruitment events, including the industry's first large-scale job fair and a city-wide recruitment week with interviews conducted across all branches, to attract young talents from all walks of life. The events were well-received with a considerable number of candidates getting the chance to shine in the career platform provided by the Group after passing on-site interviews.

Winning the "DigiZ Awards" for the 2nd year

The Group has been driving its digital reform forward since 2016 by continuously investing resources in optimising its official website and mobile app as well as adding more thoughtful features to enhance customer experience. The results were phenomenal, allowing the Group to win the Bronze Award for "Most Innovative Use of Technology" in the "DigiZ Awards 2021" organised by Marketing Magazine. As a second-time winner of the contest, the Group has proved its achievements in digitalisation.

Winning the "E-brand Awards" for the 5th consecutive year

The Group's rapid digitalisation and continuous website optimisation have resulted in significant enhancement in customer experience, making it one of the winners of e-zone's "E-brand Awards" for 5 consecutive years. Clinching again "The Best Property Agency O2O Platform" in 2021, the Group has proved its contribution in driving the digitalisation of the industry and achievement in innovative service enhancement in the new technology era.

Chairman's Statement

BUSINESS REVIEW

Midland Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") announce that for the year ended 31 December 2021, it recorded a consolidated profit attributable to equity holders of HK$100 million, representing a 24% decrease as compared with that for the year ended 31 December 2020.

Benefitting from the Hong Kong government's Employment Support Scheme, the Group's profit for the year of 2020 increased. Excluding this one-off grant, the Group's financial results for the year of 2021 would have significantly improved from that in 2020, mainly due to the rapid recovery of the Hong Kong property market in the first half of 2021 and the increase in the Group's market share in Hong Kong, which has driven the Group's revenue to a historic high of HK$6 billion in 2021.

Rapid Economic Recovery in the First Half of 2021 Heated Up the Market

According to the figures from the Land Registry, local residential transaction volume increased by 24% in 2021 as compared to that in 2020. Despite market concerns about the effects of factors including emigration, the property market remained unscathed. The overall "Midland Property Price Index" for Hong Kong in December 2021 stood at 171.6, representing an increase of approximately 5% as compared with the corresponding period in 2020. As the local pandemic eased in the first half of 2021, coupled with the rollout of the Hong Kong government's "Consumption Voucher Scheme", market sentiment was lifted, resulting in a strong economic growth in the first half of 2021 which helped boost the confidence of the residential property buyers.

In addition, according to the figures from the Land Registry, both the local primary and secondary residential sectors recorded a double-digit increase in the registration volume in the first half of 2021, as compared with the corresponding period in 2020. In particular, the registration volume in the secondary residential market grew by over 50%. In the meantime, the residential rental market has also bottomed out, indicating that the recovery of the overall residential property market in the first half of 2021 was broad-based.

External Factors in the Second Half of 2021 Slowed the Hong Kong Market

Nevertheless, the overall residential property market slowed down considerably from its peak in the second half of 2021. According to the figures from the Land Registry, the registration volume and value of the overall residential properties fell by 15% and 14%, respectively, in the second half of 2021 as compared with the first half of the same year. At the same time, market sentiments were battered by the correction of the local equities market in the second half of 2021, especially for some popular stocks, and the recent wave of debt defaults of the Mainland developers caused concern in the market.

Mainland Operations faced with Difficult Times

The Mainland property market fared even worse. As the central government was determined to contain the growth of the mounting debt of the Mainland property developers and limit their gearing, the Mainland property market turned sour. For instance, the transaction volume of the secondary residential market in Shenzhen, being the Group's main operation in Mainland, tumbled approximately 57.3% in 2021 as compared with that in 2020. Sales performance of various major Mainland property developers deteriorated significantly, which in turn affected the market sentiment in Hong Kong.

OUTLOOK

Cautiously Positive Amid the New Outbreak

The local outbreak of the highly infectious Omicron variant has led to the fifth COVID-19 wave in Hong Kong. The number of local confirmed infected cases has reached a record high. Tightened social distancing measures put in place by the Hong Kong government has been extended to mid-April. The market sentiment in the first half of 2022 is expected to remain sluggish, affecting both the local economy and residential property market.

As for the secondary market, some potential buyers prefer to stand on the sidelines and many sellers have chosen not to allow property inspections so as to minimise the risks of infection. Thus, the Group expects the transaction activities to stay low in the first quarter of 2022. Meanwhile, developers have not been active and postponed the launch of new projects while placing their focus on clearing the inventories. According to the Group's tally, only 457 new units were launched in the first two months of 2022, down about 83.3% from that in the corresponding period of 2021.

Although the pandemic in Hong Kong remains unpredictable, the market has amassed some valuable experience in coping with the pandemic over the last two years. The overall market sentiments are not as bad as that in the first quarter of 2020 when the pandemic first hit Hong Kong. The Group believes that the slowdown in the property market will be short-lived and remains cautiously positive about the long-term development of the Hong Kong property market. While the market transaction activity in the first half of 2022 is expected to fall to an extremely low level, transaction volume is likely to significantly rebound if the outbreak can get under control in the second half of 2022. Indeed, the Budget recently announced by the Hong Kong government has raised the upper limit of the Mortgage Insurance Programme, which will give considerable support to the secondary market in particular.

Uncertainties Shroud Global Economy

Rebound Poised for Mainland Property Market

As the global economy slowly recovers, issues in the global supply chain resulting from pandemic-related stress, coupled with a series of monetary and fiscal stimulus measures of various nations have prompted inflation in the US to reach a multi-year high, forcing the US Federal Reserve Board to raise interest rates in 2022. The sharp volatility of the Hong Kong stock market and the increase in COVID-19 cases in Mainland have also brought negative impacts on the property sector. In addition, the conflicts between Ukraine and Russia still continue to escalate despite the progress of ceasefire negotiations. Economic sanctions imposed on Russia by various nations might exacerbate the global supply chain crisis and further dampen market sentiment. In mid-March of 2022, the US Federal Reserve Board raised interest rate by 0.25% and signaled more hikes to come. Against the backdrop of interest rates hikes, the Group is of the view that, although the interest rate environment is no longer as favourable as two years ago, the mortgage rate in Hong Kong is still so low that buying power will remain intact even after several interest rate hikes.

While the global central banks are on the course of monetary tightening in 2022, the central government has begun to actively launch various economic stimulus measures. In the past few months, reserve ratio and lending rate were lowered and cut respectively. If the central government policies in relation to loan and gearing ratio are switched to accommodative, the Hong Kong property market will also be benefitted as a result due to the geographical proximity of Hong Kong to Mainland. In addition, the support of the central government on the local capital market is also favourable to the long term development of the Hong Kong economy and property sector. At the same time, it is believed that the Hong Kong government will continue to roll out economic relief measures. As such, the Group still remains positive about the industry outlook.

Act According to National Plan to Capitalise on Regional Opportunities

The Group is glad that the central government has included Hong Kong in the National 14th Five-Year Plan which plans to position Hong Kong as, among other things, an international innovation and technology hub and an East-meets-West centre for international cultural exchange. The Group is confident that these two initiatives will have profound impacts on the long-term development of the Hong Kong residential property market.

As the local political landscape changes, the Group believes that the progress of infrastructure development in Hong Kong will expedite. For instance, the Northern Metropolis Development Plan initiated at the recent Policy Address will bring positive sentiments to the property market of New Territories North and will in turn provide impetus to the whole property market. As a matter of fact, the improvement of the infrastructure in the last decade has already benefitted residential properties in Kowloon and the New Territories in terms of both transaction activities and price growth. The Group expects demand to grow for the properties located in those areas with good improvement potential of infrastructure.

Appreciation

I would like to sincerely thank our board members and staff for their persistent efforts in the face of numerous challenges. I would also like to take this opportunity to express my appreciation to our shareholders and customers for their enduring support for the Group. We will continue to spare no effort in offering quality services and steering the Group towards a brighter tomorrow.

WONG Kin Yip, Freddie
Chairman

Hong Kong, 30 March 2022

Strategic Review and Planning

Local Operation Significantly Improved by Actively Adapting to the New Normal

During the reporting period, the Group's local operation outperformed, registering growth in both revenue and profit. Despite the significant slowdown of the local property market since July 2021, the Group's local operations still managed to break even in the second half of 2021.

The Group's flagship business unit, Midland Realty, has successfully gained ground in the local new home sector during the reporting period. Thanks to a series of strategic moves in recent years, Midland Realty has strengthened its market position in many districts. In particular, it has further increased its market share in the primary market of the New Territories and Kowloon, where the bulk of the local transactions took place. At the same time, as developers focused on unsold inventories, the Group's sales results in this segment also shown growth. More encouragingly, Hong Kong Property, the previously underperforming business of the Group has also turned around from loss into profit during the reporting period, making positive progress in sales efficiency and stayed profitable during the reporting period.

For over a decade, the Hong Kong property market has gone through several mini-cycles and the Group has gradually adapted to the new normal. The Group has also leveraged on its outstanding management capacities to deal with the ebbs and flows of the market. For instance, the Group has made some adjustments in costs in 2020, thus boosting its profitability in the first half of 2021. In the meantime, the Group continues to invest in its talent pool as well as property technology and e-marketing tools to bring benefits to the Group's long-term development.

Due to the sharp downturn of the Mainland property market in 2021, the performance of the Group's Mainland operation was disappointing. In addition, the deterioration of the financial position of some Mainland developers also gave rise to the increase of impairments of trade receivables during the reporting period. At the end of 2021, trade receivables from the Mainland operations accounted for approximately 4% of that of the Group's total (at the end of 2020: approximately 8%).

Fully Equipped to Brave the Storm

Further Integrates Hong Kong and Mainland Businesses

The worsening COVID-19 outbreak in Hong Kong recently has affected all walks of life. In response, the Group has long taken the initiatives since the previous waves of the pandemics to implement a set of contingency measures. The central professional units of the Group have been fully equipped on the fronts of technical support and operation process to work remotely under various scenarios. Benefitted from the upgrade of the IT systems and strengthening of the sales management team, internal communications remain effective for the staff to work remotely. Amid the pandemic, frontline operations are as usual and business is also conducted smoothly. In the meantime, the Group's long-established digital marketing tools, such as its online platform for property tour and listing, have performed to their best during the pandemic. Historic highs have been reached for the number of page views of various digital tools such as website and mobile APP and also for the amount of online enquiries and online listings.

Despite the short-term market challenges, the Group stays committed to investing for the future. In 2021, the Group became a corporate partner of the Hong Kong Science Park to explore new technology. Through understanding its virtual laboratory and innovative technological programmes, as well as conducting business matching, the Group aspires to bringing more technological advances to the estate agency industry. Recently, the Group has also entered into a strategic cooperation agreement with a US-listed spatial data company Matterport, Inc., such cooperation allowed the Group to become the first among the estate agents in Mainland and Hong Kong to introduce the latest Digital Twin technology and drive the estate agency industry towards a new milestone in digital transformation.

Strategic Review and Planning

The Group is confident that the Northern Metropolis Development plan and other initiatives related to the Greater Bay Area will continue to boost the local economy and reshape the landscape of the Hong Kong property market. Additionally, the Group expects the integration between Hong Kong and the Mainland to expedite. In light of a more active role that Mainlanders are likely to take in both buy-and-sell and the rental market, the Group has been recruiting New Hong Kongers to build various sales teams and forging business ties with institutions which have strong clients base of Mainlanders.

As for Mainland operations, the Group has implemented personnel restructuring and will further focus its coverage on core districts. Indeed, the Group's Beijing operation has maintained profitability because of this strategy. To capitalise on the vast developmental potential in the Greater Bay Area, the Group has devised several strategies including strengthening the operational structure in Macau, and appointing Mr. Po Siu Ming, the Chief Executive Officer of Midland Realty's residential division in Hong Kong as the Chief Executive Officer of Midland Realty's residential division in Macau, to take the lead in the development of the Group's Macau operation. Furthermore, the Group will also reorganise its branch networks in Shenzhen and concentrate its presence in the areas which fit the Great Bay Area initiative.

WONG Ching Yi, Angela
Deputy Chairman and Managing Director

Hong Kong, 30 March 2022

Profile of Directors

Board of Directors: Front row: WONG Kin Yip, Freddie
Back row from left to right: HO Kwan Tat, Ted, WONG San, WONG Ching Yi, Angela, WONG Tsz Wa, Pierre, SUN Tak Chiu, CHEUNG Kam Shing

Executive Directors

Mr. WONG Kin Yip, Freddie

aged 72, is the Founder, Chairman and Executive Director of the Company. He is also a member of the Remuneration Committee and the Nomination Committee of the Company.

Mr. WONG established Midland Realty in 1973 and has been the Chairman of the Company since 1993. He is responsible for the leadership of the Board, formulating and overseeing the overall corporate directions and corporate strategies of the Group, and driving the Board and the individual directors to perform to the best of their ability.

Mr. WONG has over 48 years of experience in the real estate agency business in Hong Kong, China and overseas. He is a pioneer in the mortgage brokerage business and introduced mortgage referral services to Hong Kong. Mr. WONG is also the Chairman and Executive Director of Midland IC&I Limited ("Midland IC&I") (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")). Mr. WONG is the Honorary Adviser of The Association of Hong Kong Professionals, and the chairman and permanent director of Midland Charitable Foundation Limited. In addition, Mr. WONG was a member of The Shenzhen Committee of the Chinese People's Political Consultative Conference, a member of the Estate Agents Authority in Hong Kong, a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region, and a vice president of The Association of Hong Kong Professionals.

Mr. WONG is a director of Sunluck Services Limited and Southern Field Trading Limited which are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He is the father of Ms. WONG Ching Yi, Angela, the Deputy Chairman, Managing Director and Executive Director of the Company.

Ms. WONG Ching Yi, Angela

aged 41, has been the Deputy Chairman, the Managing Director and an Executive Director of the Company. Ms. WONG joined the Group in 2005. She had been the Deputy Managing Director of the Company from August 2011 to December 2014. She is also a member of the Remuneration Committee, the Nomination Committee and the Chairman's Office of the Company.

Ms. WONG is responsible for formulation and implementation of strategic directions and planning of the business units and the Group, day-to-day management and delivery of the operational performance of the Group with the support of the other Executive Directors, the executive teams and the business units heads of the Group. She attends to the enhancement of the Group's policies and corporate governance practices and procedures. She works with the Board to develop strategic initiatives to drive the Group forward, and assists the Board in the performance evaluation of the other Executive Directors, the executive teams and the business units heads of the Group.

Ms. WONG is also a director of various members of the Group and a director of mReferral Corporation Limited, a joint venture company of the Group with a leading developer. She is a director and the vice president of Midland Charitable Foundation Limited. Ms. WONG is also an Executive Director of Midland IC&I.

Ms. WONG is a fellow member of the Hong Kong Institute of Certified Public Accountants. She obtained a bachelor's degree in Business Administration (Accounting and Finance) from The University of Hong Kong and a Master of Business Administration degree from the HKUST Business School. Ms. WONG has been appointed as a board member of the Estate Agents Authority since November 2019, and has been appointed as a board member of the Hong Kong PropTech Association since March 2022. She is the vice chairman of the Executive Committee of The Association of Hong Kong Professionals and a member of the Sponsorship and Development Fund Committee of The Open University of Hong Kong.

Ms. WONG is the daughter of Mr. WONG Kin Yip, Freddie, the Chairman and Executive Director and controlling shareholder of the Company (as defined under the Rules Governing the Listing of Securities on the Stock Exchange).

Mr. WONG Tsz Wa, Pierre

aged 58, has been the Managing Director and Executive Director of the Company since November 2012. He is the Chairman of the Risk Committee of the Company. He joined the Group in 1993 and has been a member of the Chairman's Office since December 2011. He is also a director of various members of the Group. Mr. Pierre WONG holds a master's degree in business administration and he is a professional member of The Royal Institution of Chartered Surveyors. He has over 33 years of experience in real estate agency business in Hong Kong.

Mr. Pierre WONG is responsible for the day-to-day management of the Group, the coordination of overall business operations as well as the effective implementation of the strategies, directions and policies of the Group.

Mr. Pierre WONG is the consultant of Midland IC&I since 2018.

Mr. CHEUNG Kam Shing

aged 58, has been an Executive Director of the Company since March 2011. He was the Consultant of the Group from November 2008 to March 2011. Mr. CHEUNG is responsible for the strategic development and daily operation of the Group's China division "Midland China". He has over 36 years of solid experience in the real estate agency business. Mr. CHEUNG has served the Group for 30 years and was an Executive Director of the Company from June 1998 to November 2005. He is a director of various members of the Group.

Independent Non-Executive Directors

Mr. HO Kwan Tat, Ted

aged 57, has been an Independent Non-Executive Director, the chairman of the Audit Committee and the Nomination Committee, and a member of the Remuneration Committee of the Company since June 2017.

Mr. HO is a practising Certified Public Accountant in Hong Kong and is a partner of World Link CPA Limited. He is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has extensive experience in audit and taxation.

Mr. HO has been an Independent Non-Executive Director of Midland IC&I since December 2007. He was an Independent Non-Executive Director of three companies listed on the Main Board of the Stock Exchange, namely, SunCorp Technologies Limited from March 2008 to May 2012, CIAM Group Limited (now known as FDG Kinetic Limited) from September 2004 to July 2008 and The Sun's Group Limited (now known as Silk Road Logistics Holdings Limited) from May 2007 to April 2008.

Mr. SUN Tak Chiu

aged 58, has been an Independent Non-Executive Director of the Company since September 2004. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company.

Mr. SUN has over 35 years of experience in the fields of accounting, securities industries and corporate finance. Mr. SUN holds a bachelor's degree in law and a master's degree in business administration. He is a fellow member of the Hong Kong Institute of Certified Public Accountants as well as the Association of Chartered Certified Accountants, an associate member of the Chartered Institute of Management Accountants, and a member of the Hong Kong Securities and Investment Institute.

Mr. WONG San

Aged 65, has been an Independent Non-Executive Director of the Company and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company since September 2013. He is a professional building surveyor and holds a Master Degree of Science in International Real Estate. He is the founder of and is currently the Managing Director of Samson Wong & Associates Property Consultancy Limited. Mr. WONG has over 38 years' experience in property consultancy management, including real estate development, building survey and design, project planning & management and facility management, conversant with the Mainland and overseas real estate industry and also international joint venture development projects. He had worked for Standard Chartered Bank as their Property Administration Manager and for an international real estate consultancy firm as their CEO. Mr. WONG is an Authorised Person and is a fellow member of the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors and The Hong Kong Institute of Facility Management. In 1998, he was elected as the President of the Hong Kong Institute of Surveyors and was awarded the Distinguished Building Surveyor in 2000.

Corporate Governance Report

The board (the "Board") of the directors of the Company (collectively the "Directors", each a "Director") recognises that sound and effective corporate governance practices and procedures, with an emphasis on integrity, transparency, accountability and independence, are essential to enhance the shareholders' value and safeguard the shareholders' interest. The Company is committed to maintaining a good corporate governance standard and endeavors to ensure that its businesses are conducted in accordance with all applicable rules and regulations.

Corporate Governance Practices

The Company has complied with all the code provisions that were in force as set out in the Corporate Governance Code (the "Code") stated in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2021.

The Code was amended on 1 January 2022 (the "New Code"), with majority of the amendments applying to corporate governance practices and disclosures for financial year beginning on or after 1 January 2022. As this report relates to the financial year 2021, the numbering of code provisions in this report follows the code provisions of the Code before the New Code came into effect.

Board of Directors

(i) Board Responsibilities and Delegation

The Board is responsible for the management of the Company, which includes, inter alia, formulating business strategies, directing and supervising the Company's affairs, approving interim and annual reports, announcements of interim and annual results, considering dividend policy, and approving the grant of share options or any change in the capital structure or notifiable transactions of the Company. The Board makes broad policy decisions and has delegated the responsibility for detailed considerations to the Executive Committee of the Company.

The daily management, administration and operation of the Group are delegated to the management of the Company. The Board gives clear directions to the management as to its powers and circumstances in which the management shall report to the Board.

All the Directors have full and timely access to all relevant information and have access to the advice and services of the Company Secretary of the Company, with a view to ensuring that all proper Board procedures, applicable rules and regulations are followed. All the Directors including the Independent Non-Executive Directors may seek independent professional advice in appropriate circumstances at the Company's expense in carrying out their functions, upon making request to the Board.

The Company has arranged appropriate liability insurance to indemnify the Directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed regularly.

Board of Directors (Continued)

(ii) Board Composition

The Board currently comprises seven Directors with four Executive Directors and three Independent Non-Executive Directors. The composition of the Board is set out as follows:

Executive Directors

Mr. WONG Kin Yip, Freddie *(Chairman)*
Ms. WONG Ching Yi, Angela *(Deputy Chairman and Managing Director)*
Mr. WONG Tsz Wa, Pierre *(Managing Director)*
Mr. CHEUNG Kam Shing

Independent Non-Executive Directors

Mr. HO Kwan Tat, Ted
Mr. SUN Tak Chiu
Mr. WONG San

Save and except Mr. WONG Kin Yip, Freddie is the father of Ms. WONG Ching Yi, Angela, none of the members of the Board are related to one another.

The biographical details of the Directors are set out in the section of “Profile of Directors” on pages 14 to 16 of this Annual Report.

(iii) Chairman and Chief Executive Officer

The roles of Chairman and Managing Director of the Company are separated.

Mr. WONG Kin Yip, Freddie is the Chairman of the Company and is also the founder of the Group. He is responsible for the leadership of the Board, formulating and overseeing the overall corporate directions and corporate strategies of the Group, and driving the Board and the individual directors to perform to the best of their ability.

Ms. WONG Ching Yi, Angela and Mr. WONG Tsz Wa, Pierre are the Managing Directors of the Company. The Managing Directors of the Company carry out the function of chief executive officer of the Company and their role and responsibilities are set out on page 15 of this Annual Report. The Managing Directors report directly to the Board. The senior executives of the respective strategic business units of the Group are responsible for performing and overseeing the business operation of their business units.

(iv) Board Meetings and Directors’ Attendance

During the year ended 31 December 2021, the Board held five meetings to discuss and approve, inter alia, the interim and annual results and other significant issues of the Group. At least 14 days’ notice of regular Board meetings is given to the Directors who are given the opportunity to include other matters in the agenda of meetings. Individual attendance records of each of the Directors at the respective meetings of the Board and Board committees and general meetings are set out on page 24 of this Annual Report.

Board of Directors (Continued)

(v) Non-Executive Directors

The Independent Non-Executive Directors, namely Mr. HO Kwan Tat, Ted, Mr. SUN Tak Chiu and Mr. WONG San, have been appointed for a specific term of one and a half years, one year, and one year respectively. They are subject to retirement by rotation and shall be eligible for re-election at the Company's annual general meeting at least once every three years in accordance with the bye-laws of the Company.

Throughout the year ended 31 December 2021 and up to the date of this Annual Report, the Board has at all times met the requirements under Rule 3.10 of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise and the requirements under Rule 3.10A of the Listing Rules relating to the appointment of the independent non-executive directors representing at least one-third of the board. The Board has received from each Independent Non-Executive Director an annual written confirmation of his independence in accordance with Rule 3.13 of the Listing Rules and considered that all the Independent Non-Executive Directors are independent.

(vi) Nomination, Appointment and Re-election of Directors

All new appointment of Directors and nomination of Directors proposed for re-election at the annual general meeting are first considered by the Nomination Committee in accordance with the nomination policy. The Nomination Committee will assess the candidate or incumbent on criteria such as experience, skills, knowledge and time commitment to carry out the duties and responsibilities of Director. The recommendations of the Nomination Committee will then be put to the Board for decision. Details of the role and function as well as a summary of the work performed by the Nomination Committee are set out under the heading of "Nomination Committee" below.

In accordance with the Company's bye-laws, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation but are eligible for re-election by shareholders at the annual general meeting provided that every Director is subject to retirement by rotation at least once every three years. If an Independent Non-Executive Director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by the shareholders of the Company. All Directors appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting and shall not be taken into account in determining which particular Directors are to retire by rotation.

(vii) Directors' Training

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company would provide a comprehensive induction package comprising a summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Company's constitutional documents and a publication entitled "A Guide on Directors' Duties" issued by the Companies Registry to each newly appointed Director to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The Company Secretarial Department of the Company reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors and may provide them with written materials, where appropriate, as well as organises seminars on the professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities.

Board of Directors (Continued)

(vii) Directors' Training (Continued)

During the year, the Company provided reading materials covering corporate governance and regulatory development to the Directors. A summary of the record of training received by the current Directors during the year is as follows:

Directors	Training on corporate governance, regulatory development and/or other relevant topics
Executive Directors	
Mr. WONG Kin Yip, Freddie	✓
Ms. WONG Ching Yi, Angela	✓
Mr. WONG Tsz Wa, Pierre	✓
Mr. CHEUNG Kam Shing	✓
Independent Non-Executive Directors	
Mr. HO Kwan Tat, Ted	✓
Mr. SUN Tak Chiu	✓
Mr. WONG San	✓

Board Committees

The Board has established Board committees, including the Executive Committee, Audit Committee, Remuneration Committee, Nomination Committee and Risk Committee for overseeing the respective aspects of the Group's affairs.

The Board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice at the Company's expense in appropriate circumstances.

(i) Executive Committee

The Executive Committee was established on 21 September 1999 and consists of all the Executive Directors as members. The Executive Committee has the authority delegated by the Board to approve matters relating to the daily operations and management and business affairs of the Group, and also the approval of certain corporate actions of the Company.

Board Committees (Continued)

(ii) Audit Committee

The Audit Committee was established on 4 August 1998 and is chaired by Mr. HO Kwan Tat, Ted, being an Independent Non-Executive Director, with two other members, namely Mr. SUN Tak Chiu and Mr. WONG San, as at the date of this Annual Report. All Audit Committee members are Independent Non-Executive Directors. In compliance with Rule 3.10(2) of the Listing Rules, two of the members of the Audit Committee possess the appropriate professional qualifications or accounting or related financial management expertise. The written terms of reference of the Audit Committee are published on the websites of the Company and the Stock Exchange.

During the year, the Audit Committee held two meetings to review the interim and annual reports with relevant announcements and financial statements, consider the reports from PricewaterhouseCoopers on the interim review of the financial information and the annual audit of the financial statements, review the audit strategy, work scope, quality, fees and terms of engagement for audit and non-audit services from the external auditor and assess its independence, recommend to the Board the re-appointment of PricewaterhouseCoopers as the auditor based on its review and assessment, review the internal audit report and the report on risk management and monitor the implementation of the recommended actions as well as the effectiveness of the internal control and risk management systems, approve the internal audit plan, and review the continuing connected transactions and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions. External auditor of the Company was invited to attend and discuss at the meetings. There was no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditor of the Company.

The principal role and responsibilities of the Audit Committee include:

- reviewing the Group's interim and annual financial statements and the interim and annual reports before submission to the Board for approval;
- reviewing the financial reporting obligations and considering any matters raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor;
- reviewing and monitoring the independence and objectivity of the external auditor, and the effectiveness of the audit process in accordance with applicable standards;
- approving the remuneration and terms of engagement of the external auditor and making recommendation to the Board on the appointment, re-appointment and removal of the external auditor;
- reviewing the internal audit programme and ensuring the internal audit function is adequately resourced and effective, and considering any major findings on risk management and internal control matters; and
- reviewing the financial controls and internal control systems of the Group and ensuring the management has discharged its duty to have effective risk management and internal control systems, in particular, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions.

For the year ended 31 December 2021, the Company had in place arrangement for stakeholders of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters and the whistleblowing policy.

Board Committees (Continued)

(iii) Remuneration Committee

The Remuneration Committee was established on 10 March 2005 with written terms of reference published on the websites of the Company and the Stock Exchange. The Remuneration Committee is chaired by Mr. SUN Tak Chiu, being an Independent Non-Executive Director, with four other members, namely Mr. WONG Kin Yip, Freddie, Ms. WONG Ching Yi, Angela, Mr. HO Kwan Tat, Ted and Mr. WONG San, as at the date of this Annual Report. Majority of the Remuneration Committee members are Independent Non-Executive Directors.

The Remuneration Committee held two meetings in 2021. During the year, the Remuneration Committee reviewed and recommended the remuneration packages of the Directors to the Board for approval and reviewed the Group's overall remuneration, and considered and recommended to the Board on grant of share options to certain Directors. The principal role and responsibilities of the Remuneration Committee include reviewing and determining the remuneration packages of individual Executive Directors and senior management of the Company and recommending the remuneration of the Non-Executive Directors (including Independent Non-Executive Directors) to the Board for approval. No Director or any of his/her associate was involved in deciding his/her own remuneration.

The remuneration of the members of the senior management, being the Executive Directors, by band for the year ended 31 December 2021 is set out below:

Remuneration bands	Number of individuals
HK$2,000,001 – HK$2,500,000	1
HK$10,000,001 – HK$10,500,000	1
HK$11,500,001 – HK$12,000,000	1
HK$12,500,001 – HK$13,000,000	1

Details of Directors' emoluments and five highest paid individuals during the year are set out in note 10 to the consolidated financial statements on pages 116 to 119 of this Annual Report.

Board Committees (Continued)

(iv) Nomination Committee

The Nomination Committee was established on 10 March 2005 with written terms of reference published on the websites of the Company and the Stock Exchange. The Nomination Committee is chaired by Mr. HO Kwan Tat, Ted, being an Independent Non-Executive Director, with four other members, namely Mr. WONG Kin Yip, Freddie, Ms. WONG Ching Yi, Angela, Mr. SUN Tak Chiu and Mr. WONG San, as at the date of this Annual Report. Majority of the Nomination Committee members are Independent Non-Executive Directors.

The principal role and responsibilities of the Nomination Committee include formulating and reviewing the nomination policy, assessing the independence of the Independent Non-Executive Directors and making recommendations to the shareholders on Directors' standing for re-election. In order to achieve a balanced and appropriately qualified Board, the Nomination Committee is also responsible for reviewing the structure, size and composition, including the skills, knowledge, diversity and experience, of the Board, and advising the Board as to any changes that may be required. The Nomination Committee has the authority given by the Board to seek external professional advice in the selection and recommendation for directorship, if necessary, to fulfil the requirements for professional knowledge and industry experience of any proposed candidates.

The Nomination Committee held two meetings in 2021. During the year, the Nomination Committee assessed the independence of the Independent Non-Executive Directors, reviewed the structure, size and composition of the Board, made recommendation to the Board on the re-election of the retiring Directors, reviewed the board diversity policy, made recommendation to the Board for approval on renewal of terms of appointment of Directors and made recommendation to the Board on the re-designation of joint chairman of the Company. During the year, Mr. WONG Wing Cheung Dennis resigned as a Non-Executive Director with effect from 28 November 2021, other than that there was no change in the Board composition.

The Company has adopted a nomination policy which sets out the nomination procedures and process and selection criteria when the Nomination Committee considers candidates to be appointed or re-elected as Directors. The nomination procedures include identification of desirable candidates by the Nomination Committee, and review and approval of such nominations by the Board. The Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorship: character and integrity; qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy; willingness to devote adequate time to discharge duties as a member of the Board; the Company's board diversity policy and any measurable objectives adopted for achieving diversity on the Board; requirement for the Board to have independent Directors in accordance with the Listing Rules; and such other perspectives appropriate to the Company's business or as suggested by the Board.

The Company recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. As such, the Company adopted a board diversity policy in August 2013. A diverse Board will include differences in the talents, skills, knowledge, regional, industry and professional experience, cultural and educational background, race, age, gender and other qualities of the members of the Board. Selection of candidates is based on a range of diversity perspectives. The ultimate decision is based on merit and contribution which would be brought by the candidates to the Board if he/she were selected as a Director. The Nomination Committee is of the view that the current composition of the Board has achieved the objectives set in the above board diversity policy.

(v) Risk Committee

The Risk Committee was established on 1 January 2016 with written terms of reference published on the website of the Company. The Risk Committee is chaired by Mr. WONG Tsz Wa, Pierre, being the Managing Director and Executive Director of the Company, with three other members, being the Chief Legal Counsel, the Chief Financial Officer and the head of the Internal Audit Department.

The Risk Committee held two meetings in 2021. During the year, the Risk Committee received report on the results of the review of the risk management system and framework, discussed the measures to manage those identified risks which may have significant impact to the Group, and reviewed the effectiveness of the risk management system and framework.

The principal role and responsibilities of the Risk Committee include reviewing the Group's risk management system and framework, advising the Board on the current risk exposures of the Group and future risk strategy and considering emerging risks relating to the Group's business and strategies.

Attendance Records at the Meetings of the Board and Board Committees and General Meetings

The attendance records of the individual Directors at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and Risk Committee and the general meetings for the year ended 31 December 2021 are set out as follows:

	Number of Meetings Attended/Held						
Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee *(Note 1)*	Annual General Meeting	Special General Meeting
Executive Directors							
Mr. WONG Kin Yip, Freddie *(Chairman)*	5/5	N/A	2/2	2/2	N/A	1/1	1/1
Ms. WONG Ching Yi, Angela *(Deputy Chairman and Managing Director)*	5/5	N/A	2/2	2/2	N/A	1/1	1/1
Mr. WONG Tsz Wa, Pierre *(Managing Director)*	5/5	N/A	N/A	N/A	2/2	1/1	1/1
Mr. CHEUNG Kam Shing	5/5	N/A	N/A	N/A	N/A	1/1	1/1
Non-Executive Director							
Mr. WONG Wing Cheung Dennis *(Note 2)*	5/5	N/A	N/A	N/A	N/A	1/1	1/1
Independent Non-Executive Directors							
Mr. HO Kwan Tat, Ted	5/5	2/2	2/2	2/2	N/A	1/1	1/1
Mr. SUN Tak Chiu	5/5	2/2	2/2	2/2	N/A	1/1	1/1
Mr. WONG San	5/5	2/2	2/2	2/2	N/A	1/1	1/1

Notes:

1. Other members of the Risk Committee are not Directors.

2. Mr. WONG Wing Cheung Dennis resigned as a Non-Executive Director with effect from 28 November 2021.

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 year ended 31 December 2021.

Directors' Interests

Details of Directors' interests in the shares, underlying shares and debentures of the Company and its associated corporations are set out in the Report of the Directors on page 65 of this Annual Report.

Directors' Responsibility for the Financial Statements

The Directors acknowledged their responsibility for preparation of consolidated financial statements which give a true and fair view of the Group's state of affairs as at 31 December 2021 and of the Group's results and cash flows for the year ended 31 December 2021. In preparing the consolidated financial statements for the year ended 31 December 2021, the Directors selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The reporting responsibilities of the Company's independent auditor on the consolidated financial statements of the Group for the year ended 31 December 2021 are set out in the "Independent Auditor's Report" on pages 73 to 77 of this Annual Report.

Corporate Governance Function

In order to achieve enhanced corporate governance of the Company, the Board has undertaken and delegated to the Executive Committee to constantly review the Company's policies and practices on corporate governance, the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct and compliance manual applicable to employees and the Directors, and the Company's compliance with the Code and disclosure in this Corporate Governance Report. During the year, the Executive Committee performed the duties relating to corporate governance matters as aforementioned.

Auditor's Remuneration

For the year ended 31 December 2021, the remuneration payable or paid to the Group's independent external auditor, PricewaterhouseCoopers, in respect of audit and non-audit services provided to the Group is set out as follows:

	Fees payable or paid	
	2021 HK$'000	2020 HK$'000
Services rendered for the Group		
Audit services	2,427	2,527
Interim results review	573	573
Other non-audit services (tax and other professional services)	304	196
Total fees	3,304	3,296

Risk Management and Internal Controls

The Board has overall responsibilities for maintaining effective risk management and internal control systems of the Group and determining the nature and extent of the risks it is willing to take in achieving the Group's objectives, and such systems are designed to manage rather than eliminate those risks, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Risk Committee assists the Board in deciding the Group's risk level and risk appetite, considering the Group's risk management strategies and giving guidelines where appropriate, and ensuring the soundness and effectiveness of the Group's risk management system. The risk management process involves identification, analysis, evaluation, mitigation, reporting and monitoring of risks.

The Group's internal control system comprises, among others, a well-defined governance structure with clearly defined lines of responsibility and authority and relevant financial, operational and compliance controls, and risk management procedures are in place. The Executive Directors review monthly management reports and hold periodical meetings with senior operational and finance management to discuss business performance and market outlooks.

The Internal Audit Department of the Company reports directly to the Audit Committee and is independent of the Company's daily operation. It is responsible for conducting regular audit on the major activities of the Group. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively.

The risks which may have significant impact to the Group were identified from internal and external environments and were managed properly. An annual review of the internal control and risk management systems of the Group for the year ended 31 December 2021 was conducted, and report on the results of the review and opinion were submitted to the Audit Committee and the Risk Committee. The Audit Committee and the Risk Committee reviewed the reports and followed up on the implementation of the action plan, and reported to the Board.

Based on the reports from the Audit Committee and the Risk Committee, the Board is satisfied with the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2021 as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

Inside Information

The Company has established the Inside Information Team to identify, assess and escalate potentially inside information for the attention of the Board and monitor the Group's disclosure obligations in respect of inside information. Policy and Procedures on Disclosure of Inside Information are adopted which set out the guidelines and controls to ensure the inside information can be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations.

Company Secretary

The Company engages an external service provider to provide company secretarial services and has appointed Ms. MUI Ngar May, Joel ("Ms. MUI") as its Company Secretary. Ms. MUI is not an employee of the Group and Mr. SZE Ka Ming, the Chief Financial Officer of the Company, is the person whom Ms. MUI can contact for the purpose of code provision F.1.1 of the Code. Ms. MUI undertook over 15 hours of professional training during the year.

Communication with Shareholders and Investor Relations

The Company is committed to ensuring that the Group shall comply with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors of the Company have opportunities to receive and obtain information issued by the Company. Information has been provided to the shareholders regularly which includes annual and interim reports, circulars and announcements in accordance with applicable laws and regulations.

Pursuant to the Listing Rules, voting by poll is mandatory on all resolutions (except resolutions relate purely to procedural or administrative matters) put forward at general meetings and the poll results will be posted on the websites of the Stock Exchange and the Company. Notice to shareholders will be sent in the case of annual general meetings at least 20 clear business days before the meeting and at least 10 clear business days in the case of all other general meetings in accordance with the Code.

The Company provides an opportunity for its shareholders to seek clarification and to obtain a better understanding of the Group's performance in the general meetings of the Company. The Company acknowledges that general meetings are good communication channels with its shareholders. The Company welcomes the attendance of its shareholders at general meetings to express their views. At the general meeting, each substantial issue will be considered by a separate resolution, including the re-election of individual retiring Directors, and the poll procedures will be clearly explained. The Chairman of the Board and the Board committees, and other Board members attend the annual general meeting and special general meeting (if any) to interact with, and answer questions from, the shareholders. The external auditor is also required to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the independent auditor's report, the accounting policies and auditor's independence.

To foster effective communications with shareholders and investors, the Company maintains a website at www.midland.com.hk where the Company's announcements, circulars, notices, financial reports, business development, corporate governance practices, latest memorandum of association and bye-laws of the Company and other information are posted.

The 2021 annual general meeting of the Company was held on 18 June 2021. At the meeting, separate resolution was proposed by the chairman of the meeting in respect of each separate issue, including the re-election of individual retiring Directors, and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules. The Chairman of the Board and other Board members as well as the representative of PricewaterhouseCoopers attended the 2021 annual general meeting and had effective communication with shareholders of the Company.

A special general meeting of the Company was held on 1 April 2021. At the meeting, an ordinary resolution was proposed by the chairman of the meeting to approve, ratify and confirm the Cross Referral Services Agreement (2021), the transactions and the proposed annual caps contemplated thereunder (details of which were set out in the notice of the meeting and the circular of the Company dated 15 March 2021), and voted by way of poll by the independent shareholders of the Company. The Company announced the poll results in the manner prescribed under the Listing Rules. The Chairman of the Board and all Independent Non-Executive Directors attended the aforesaid special general meeting and had effective communication with shareholders of the Company.

During the year, there were no changes to the memorandum of association and bye-laws of the Company.

Shareholders' Rights

(i) Procedures for Shareholders to Convene a Special General Meeting

The Board shall, on the requisition in writing by the shareholder(s) to the Board or the Company Secretary of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, forthwith proceed to convene a special general meeting in accordance with the bye-laws of the Company.

If within twenty-one days of such deposit the Board fails to proceed to convene the special general meeting, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a meeting but any meeting so convened shall not be held after the expiration of three months from the said date.

(ii) Procedures for Putting Forward Proposals at General Meeting

Shareholders can submit a written requisition to move a resolution at general meeting. The number of shareholders shall represent not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the general meeting to which the requisition relates, or shall not be less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the general meeting. It must also be signed by all the requisitionists and be deposited at the registered office of the Company in Bermuda and Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong for the attention of "Manager, Company Secretarial Department" not less than six weeks before the general meeting in the case of a requisition requiring notice of a resolution and not less than one week before the general meeting in the case of any other requisition.

The requisitionists must deposit a sum reasonably sufficient to meet the Company's expenses in giving the notice of the resolution and circulating the statement submitted by them under applicable laws and rules.

Provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company in Bermuda and the above-mentioned address in Hong Kong, an annual general meeting is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the above-mentioned time shall be deemed to have been properly deposited for the purposes thereof.

The procedures for a shareholder of the Company to propose a person for election as a Director is posted on the website of the Company.

(iii) Shareholders' Enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong branch share registrar and transfer office, Tricor Abacus Limited. Shareholders and investors may during office hours make a request for the Company's information to the extent that such information is publicly available. Shareholders may also send their enquiries and concerns to the Board by addressing them to the Investors Relations Department by post at Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong or by email to investor@midland.com.hk.

Corporate Social Responsibility Report

Leading public opinions by outlining the market trend

As an authority in the industry, the Group fully utilises its strengths and closely monitors the situation of the property market under the pandemic. Through online press conferences on the property market, in-depth interviews, feature stories, instant responses and accurate analyses, the Group outlined trends of the property market and offered professional and useful information to the market, helping the public to keep abreast of the property market.


過來人身份分享移民經歷


美聯將平衡三綫發展
黃靜怡：強化平台優勢
今年樓價料平穩向好 升幅或逾5%

Diversified recognition activities for the "Elite Club"

"Elite Club" is the backbone of the Group's business expansion as it brings together top talents in the industry. In order to unite and motivate the members, the Group regularly organises a variety of activities, including luncheons and cross-organisational exchange sessions, to recognise outstanding staff and inspire others to keep up the efforts.

Producing quality TV programs and seminars on property market to educate the public

With the principle of "understanding before investing", the Group cooperated with 2 major local TV stations to produce a number of popular property market programs, and worked with local media, tertiary institutions and charitable organisations to conduct different kinds of free seminars to analyse the trend of the property market and assist customers in home purchases, thereby actively fulfilling its corporate social responsibility.

Winning 2 awards in Estate Agents Energy Saving Award Scheme with the most number of branches receiving recognition

Devoted to environmental protection, the Group seeks to encourage staff to reduce energy consumption by taking part in the Estate Agents Energy Saving Award Scheme organised by Estate Agents Authority in addition to rolling out various energy-cutting measures. The results were remarkable – a total of 272* branches of the Group were recognised as an "Energy Saving Shop", making it the best performing conglomerate among all candidates. More importantly, 2 of its branches won the Gold Award and Bronze Award under the Grand Award respectively, proving further the effectiveness of the Group's energy saving measures.

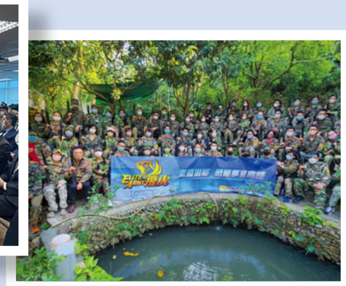
* *Including related companies*

Clinching the "Caring Company" recognition for 18 consecutive years by actively fulfilling social responsibilities

The Group is dedicated to giving back to the community. Apart from mobilising its staff to take part in various volunteer activities in assistance of underprivileged groups such as elderly, grassroots youth and the chronically ill, the Group also actively expresses its solicitude for staff through different activities. Therefore, it has been awarded the "Caring Company" logo by The Hong Kong Council of Social Service for 18 consecutive years in recognition of its unremitting effort in fulfilling its social responsibilities.

Receiving wide recognition for talent development

The Group attaches great importance to the development of talents and has set up a comprehensive and diversified training structure for its staff at all levels to systematically develop a team of excellent and professional staff. The Group's training policy has been recognised by numerous parties. In addition to being crowned as a "Manpower Developer" and "Super MD" by the Employees Retraining Board, the Group has also won the "Asia Pacific Outstanding Employer Award" and "Employer of Choice Award" by JobMarket for the 6th and 8th consecutive years respectively. What's more, it has received the "Caring Employer: COVID 19 Caring Employers Award" and "Employer Brand Management Award" for the first time, highlighting the Group's exceptional achievements in talent training and development.



Caring for staff through "Midland, We Care" activities

The Group understands that people are the cornerstone of an enterprise. Thus, it spares no effort to create a relaxed and pleasant working environment and care for its staff by launching a series of "Midland, We Care" activities, including launching a staff exclusive Facebook page with health tips to engage employees, regular distribution of fruits and festive food, Christmas tea parties, and sourcing health and anti-epidemic products and offers. This has won for the Group the "Happy Company" title under the "Happiness at Work Promotional Scheme" jointly launched by Promoting Happiness Index Foundation and the Hong Kong Productivity Council for 6 years in a row.

Receiving "Partner Employer Award" for the 7th year

Upholding the principle of "Nurturing Talents", the Group is committed to providing internship and job opportunities to local students and graduates so that they could gain more working experience and be better prepared for their future career. Hence, it has received the "Partner Employer Award" from The Hong Kong General Chamber of Small and Medium Business for the 7th consecutive year as the recognition of its contribution in nurturing the next generation and giving back to the society.

Donated 5,000 sets of rapid antigen test kits to fight the pandemic alongside the underprivileged

Over the years, the Group has been working with Hongkongers to give back to the community. In view of the pandemic which badly hit local entities and led to the shortage of anti-epidemic and medical supplies, the Group donated 5,000 sets of rapid antigen test kits to The Lok Sin Tong Benevolent Society, Kowloon through Midland Charitable Foundation for their distribution so that the test kits could serve as a safety net for the needy. In addition to donating the test kits to the underprivileged, the Group also provided them to its frontline and back office staff to promote the spirit of "Midland, We Care" across the Group.

Supporting "Project WeCan" for 8 consecutive years

Even in the midst of the pandemic, the Group never ceased to contribute to nurturing the youth as they are the future of the society. Having supported "Project WeCan" for 8 consecutive years, the Group continued to offer comprehensive assistance to its partner school, HKSKH Bishop Hall Secondary School, by sending human resources experts to participate in the online and offline "Shape Our Future: WeCan – Project WeCan Career Exploration Day" workshop to help local students gain a better understanding of the real estate agency industry, enhance their interview skills and plan their careers early, which is another way for us to give back to the community.

Conducting mooncake redistribution to encourage staff to care for the community

The Group always attaches great importance to environmental protection and care for the society. Therefore, it has signed the "Food Wise Charter" with the environmental protection organisation "Food Grace" during the Mid-Autumn Festival and set up collection boxes in each office to encourage staff to donate excess, unopened mooncakes which were then given to low-income families on the eve of Mid-Autumn Festival. Through reallocating excess food resources, the Group hoped to share the joy and celebrate the festive occasion with the needy while reducing food waste and promoting green festival culture.

Being recognised for efforts in environmental protection

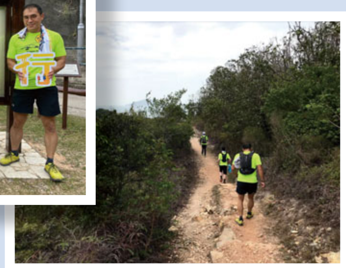
By virtue of its commitment to promoting sustainable development, the Group received numerous recognition from various institutions, including the "Wastewi$e Certificate – Excellence Level" and "Energywi$e Certificate – Good Level" from the "Hong Kong Green Organisation Certification", "Joint Energy Saving Award" of the "CLP Smart Energy Award 2021" as well as the "ISO 14064-1:2006" Greenhouse Gases Inventory Certificate by the International Organization for Standardization, for its contribution to environmental protection.

Being named the "Caring Enterprise" by The Lok Sin Tong Benevolent Society, Kowloon for 6 consecutive years

Devoted to various charitable causes, the Group has been actively expressing solicitude to the elderly by supporting The Lok Sin Tong Benevolent Society, Kowloon and its charity activities. For instance, it sponsored the "Lok Sin Tong Virtual Charity Walk 2021" and "LST Buddy Chinese New Year Community Visit Activity" to raise funds for the organisation's various projects, and was thus awarded the "Caring Enterprise" title again for its sincere care in times of adversity.

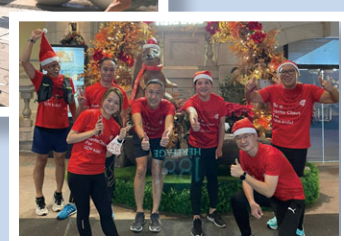
Supporting "Hike for Hospice" for the 16th consecutive time

The Group has been supporting the activities of the Society for the Promotion of Hospice Care in an effort to raise funds for hospice care and life education. For the 16th consecutive time, the Group has sponsored frontline elites to participate in the charity hike named "Hike for Hospice". With concerted efforts, all the participating athletes eventually completed a total distance of over 200 kilometers, promoting sports culture while doing good deeds.



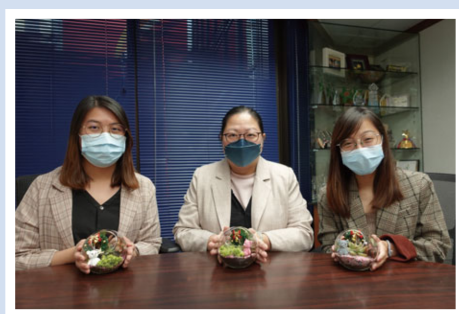
Participating in several charity runs to promote sports while raising funds

Under the pandemic, staying healthy has become a "top priority" in life. In this regard, to encourage staff to exercise regularly, Midland Charitable Foundation sponsored a number of staff to participate in charity runs such as "Lifeline Express Charity Run 2021" and "HOPE Worldwide Santa Run 2021" to help them keep challenging themselves and stay "Physically Fit". At the same time, the Group also sent a support team to welcome participating staff at the finish line and provided them with light refreshments to share the joy together.



Sponsoring underprivileged students to participate in handicraft workshops to enrich their learning experience

Given the fact that some underprivileged students are unable to participate in extracurricular activities due to financial constraints, the Group decided to sponsor them to join different activities and broaden their horizons with the help of St. James' Settlement. This year, with the theme of environmental protection, the Group held an online "Waste Paper Carton Upcycling Workshop" and "Eco-friendly Glass Bonsai Workshop" and sent out volunteers as teaching assistants, hoping to give back to the community via both monetary and non-monetary means.



Environmental, Social and Governance Report

About this report

Reporting Standards

The Company is pleased to publish its Environmental, Social and Governance ("ESG") Report which is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") set out in Appendix 27 to the Listing Rules.

Reporting Principles

This report is prepared in accordance with the four reporting principles stated in the ESG Reporting Guide:

- **Materiality:** Stakeholder engagement and materiality review is conducted to ensure that the ESG issues identified remain relevant and material to our business operations and stakeholders.
- **Quantitative:** Quantitative metrics are collected and regularly monitored to review the progress of our ESG initiatives.
- **Balance:** This report highlights both the achievement and improvement areas of our ESG management to show an unbiased picture of our ESG performance.
- **Consistency:** Consistent methodologies are adopted for meaningful comparison of our ESG performance. Remarks are provided in case of any change in data compilation methodologies and scope.

Reporting Scope and Boundary

Unless otherwise specified, this report covers the period from 1 January 2021 to 31 December 2021. It encapsulates the ESG performance and initiatives of our residential property agency services in Hong Kong, including Midland Realty and Hong Kong Property.

There were no significant changes from the previous reporting year in the reporting scope and boundary of this report.

Feedback Mechanism

We welcome and value the feedback from our stakeholders to continuously improve our ESG management and performance. Please feel free to share your views and thoughts with us at esg@midland.com.hk.

Our ESG Management

ESG Management

As a responsible corporate citizen, the Group recognises the importance of establishing a robust governance structure to ensure our business operations are operating in an ethical and sustainable manner.

We continue to optimise our corporate governance strategies and policies to increasingly incorporate sustainability considerations in the way we grow and develop. We have established a set of policies to embed ESG management into our daily operations. These policies cover ESG aspects including environmental management, green procurement practice and service responsibility, reinforcing our commitment to integrating ESG factors in our business operations.

Our ESG Management (Continued)

Board Statement

The Board acknowledges the significance of effective sustainability practices and are actively integrating ESG systems in key business decisions. The Board is ultimately responsible for formulating and overseeing our ESG strategy, reporting and management approach to monitor ESG issues.

The Board regularly evaluates and determines our ESG related risks and ensures that appropriate and effective ESG risk management and internal control systems are in place. The Board has regular meetings and discussions on the effectiveness of these systems as well as progress made against relevant ESG-related goals and targets during the reporting year. Management is taking steps to review and monitor the Group's greenhouse gas emissions and setting sustainability targets to ensure that we operate our business in an environmentally and socially responsible model while generating strong returns for our shareholders.

Ethical Business Operation

We strive to uphold the highest level of business ethics and strictly prohibit and stand against any form of bribery, extortion, fraud, or corruption in our business operations. The Group adheres to applicable laws and regulations, including the Prevention of Bribery Ordinance (Cap. 201). Internal policies and control mechanisms are in place to strengthen our management practices and prevent improper conduct and unethical behaviour. The Group has communicated our preventive measures on bribery and corruption to our employees, including guidelines regarding the acceptance and offer of advantages. Such anti-corruption materials are also available to the directors. Employees are also required to provide a conflict of interest declaration as one of our preventive measures. Detailed policies and guidance relating to anti-corruption and conflict of interest are stipulated in our Staff Handbook.

To enhance employees' awareness on anti-corruption practices, we invite representatives from Independent Commission Against Corruption (ICAC) to deliver training to our frontline and back-office staff. The training course covers topics from understanding anti-corruption laws and regulations to avoiding legal violations in our operation practices. In addition, we provide training covering business ethics issues, such as code of ethics, anti-money laundering, discrimination ordinances and protection of personal data.

The Group strictly prohibits all employees, either directly or indirectly, from soliciting or receiving any gifts, rewards, or advantages from any business associates. The Group has established a Whistleblowing Policy and mechanism to allow our employees and stakeholders to raise concerns on any potential business misconduct and malpractice confidentially. The Whistleblowing Team was also set up to handle matters arising from whistleblower reports in an effective manner and further report to the Audit Committee. Depending on the nature and circumstance of the allegation, investigation procedures are followed accordingly.

The Group conforms to the Competition Ordinance (Cap. 619) and supports fair competition with our peer companies. We strictly prohibit our employees from engaging in anti-competitive behaviour, including cartels, market segregation, bid-rigging and output restriction, as stated in the Staff Handbook. We also have guidelines on communication with competitors and customers to avoid involvement in any suspicious anti-competitive behaviour.

During the reporting year, the Group was not aware of any conviction against any member of the Group arising from violation of laws or regulations against corruption, bribery, fraud, and money laundering, except 3 concluded legal cases regarding corrupt practices brought against the employees of the Group and had been convicted.

Our ESG Management (Continued)

Stakeholder Engagement and Materiality Assessment

To enhance our understanding of stakeholder's expectations and needs, as well as identifying material ESG issues and performance, we engaged in ongoing dialogues with our external and internal stakeholders through various channels throughout the reporting year:

Stakeholder Group	Engagement Channel
Management and Employees	• Townhall meeting • Monthly meetings • Intranet forum • Internal circulars • Grievance channels stated in Staff Handbook • Questionnaire
Investors	• Annual general meeting • Annual and interim reports • Corporate website • Investor circulars • Questionnaire
Suppliers	• Regular supplier review • Meetings
Customers	• Social media • Corporate website • Questionnaire • Customer service hotline • Live chat services (Midland Live Chat and Midland Agent Chat)
Community Partners/ Non-governmental Organisations (NGOs)	• Community programme collaboration • Voluntary services • Ad hoc sponsorship projects
Media	• Press release • Interview • Press conference • Mobile application for communication • Leisure engagement events

Our ESG Management (Continued)

Stakeholder Engagement and Materiality Assessment (Continued)

To effectively manage ESG issues, we cautiously identify, analyse and review the relevance of ESG issues to our business operations and stakeholders on a regular basis. The assessment helps to build the foundation for our ESG strategy and management approach. Through the step-by-step approach below, we identify and review the material ESG issues to our business operations:

Step 1 – Identification

Review the industry trend and the ESG Reporting Guide to identify a list of potential material ESG issues for our business operations.

Step 2 – Prioritisation

Conduct periodic stakeholder engagement (via questionnaire) to seek opinions from our stakeholders. The questionnaire asks stakeholders to prioritise the identified ESG issues.

Step 3 – Validation

Senior management further reviews the questionnaire result and confirms the list of material ESG issues.

Step 4 – Review

ESG topics are regularly reviewed to ensure their relevancy and materiality to the Group.

According to the stakeholder-based materiality assessment results, we conducted industry research and peer benchmarking during the reporting year to ensure that the lists of ESG issues are material and relevant to our business and are in line with the industry's development and changes in the external environment. During the reporting year, we have reviewed the list of material ESG issues and confirmed that the material ESG issues identified last year remained relevant and applicable to us.

Our ESG Management (Continued)

Stakeholder Engagement and Materiality Assessment (Continued)

The following table lists the 16 material ESG issues and their corresponding sections in this report.

List of material issues	Corresponding section in this report
Anti-corruption and Ethical Business Operation	
Anti-corruption	Ethical Business Operation
Anti-competition	Ethical Business Operation
Ethical business compliance	Ethical Business Operation
Product and Service Responsibility	
Customer service and satisfaction	Product and Service Responsibility; Feedback Handling
Advertising and labelling	Product and Service Responsibility
Intellectual property rights	Product and Service Responsibility
Customer data privacy and protection	Privacy and Data Protection
Product responsibility compliance	Product and Service Responsibility
Employment and Labour Standards	
Employee relationship	Employment Policy and Labour Standards
Non-discrimination and diversity	Employment Policy and Labour Standards
Occupational health and safety	Occupational Health and Safety
Training and development	Training and Development
Employment compliance	Employment Policy and Labour Standards
The Environment	
Employee environmental awareness	Employee Environmental Awareness
Environmental compliance	Environmental Management
Our Community	
Community investment	Our Community

Our Customers

Product and Service Responsibility

The Group's customers mainly consist of property developers, property owners, property purchasers, landlords and tenants. As stipulated in our Product Responsibility Policy, we strive to provide the finest services to our customers in adherence with applicable laws and regulations including the Trade Descriptions Ordinance (Cap. 362), Residential Properties (First-hand Sales) Ordinance (Cap. 621) and Estate Agents Ordinance (Cap. 511). During the reporting year, there were no material non-compliance cases concluded relating to the aforementioned laws and regulations. We have a Product Responsibility Policy in place, which clearly stipulates our commitment to promoting customer experience, service reliability, customer health and safety and data privacy.

Through leveraging technological innovations and digital applications, we continuously make use of digital platforms including online live chat, mobile applications, and social media to enhance our customers' experience. Moreover, irregular branch inspections are conducted to monitor service quality and identify any potential improvement areas. To provide customers with accurate and complete information, the Group has adopted standardised procedures for advertising and labelling of products and services that align with the regulatory requirements of the target markets.

To maintain the delivery of quality products and services during the COVID-19 pandemic, the Group has scaled up our efforts in digitising our services by launching the "Property Tour with KOL" and "AI.VR Property Visit", which allows customers to view their ideal properties through property introduction videos and to visualise how the property would look like with different décor styles through the deployment of virtual reality technology. With these new initiatives, crowd gatherings and face-to-face interactions could be avoided to minimise our customers' health risks.

Meanwhile, we have enhanced the flexibility of our different services with technological innovations to ensure our business continuity. During the reporting year, the Group has signed a strategic partnership with an all-in-One VR service provider, Matterport, Inc. ("Matterport"). With Matterport's new "digital twin" technology, our customers can create their ideal home design and layout in a virtual building space. We believe our partnership will accelerate the introduction of leading technology and enhance customers' online experience.

We also strive to protect intellectual property ("IP") rights by maintaining relevant standards and protocols when producing marketing materials and ensuring that we have the IP rights for the material that we use.

Our Customers (Continued)

Privacy and Data Protection

We strongly emphasise data privacy protection and adhere to applicable laws and regulations relating to data privacy and protection, including the Personal Data (Privacy) Ordinance (Cap. 486), when handling customer information. To safeguard our customer's data privacy, we have established the Customer Privacy and Data Protection Policy (the "Policy") that addresses the handling of our customer's data which are mainly stored in the form of contractual documents. The Policy is uploaded to the Company's intranet for staff's reference. During the reporting year, there were no material non-compliance cases concluded relating to the aforementioned laws and regulations.

Guided by the Policy, the Group adopts a wide array of measures to protect the personal data of our customers. Only authorised personnel are granted access to documents with personal information. Frontline staff are required to fill in a record form when they obtain and archive contractual documents for client's service. Documents containing customers' personal information are organised and locked in designated locations to avoid information leakage. Sample checking on document storage are conducted annually to ensure that we are compliant with the Policy.

We also have strict control over the disposal of expired contractual documents. We appoint certified recyclers for appropriate handling of the disposed documents on a regular basis. Internal training is provided to our frontline staff to communicate our requirements and raise their awareness on data privacy protection.

Feedback Handling

We endeavour to continuously improve our customer's experience and satisfaction through communicating with them on a regular basis and listening to their concerns and feedback. The Group has formed a designated customer relationship team to handle customer feedback who are well-trained and skilled in handling customer enquiries and complaints. Customers can lodge their enquiries or complaints through various communication channels, including our customer hotline, email, mail and visitations. Once the complaint is received, the customer relationship team further investigates the feedback and works with relevant departments in a timely manner. A feasible solution is then developed for further discussion and agreement with the complainants. The results and follow-up actions taken are documented accordingly. During the reporting year, 32 service-related complaints were received and handled.

Our Employees

Employment Policy and Labour Standards

We believe that our employees are the key to our long-term business success. The Group adheres to the laws and regulations relating to employment and labour standards including the Employment Ordinance (Cap. 57), Employment of Children Regulations (Cap. 57B), Employment of Young Persons (Industry) Regulations (Cap. 57C) and the discrimination ordinances[1]. During the reporting year, we observed no material non-compliance cases concluded regarding the aforementioned laws and regulations.

Going beyond legal compliance, we adopt a people-centric philosophy in our human resources strategy and policies to create a respectful, productive and rewarding working environment for our employees. The Group's human resources policies have thus been established to stipulate relevant practices in recruitment, dismissal, promotion, working hours, holidays, equal opportunities and compensation benefits. We also invest in our employees and aim to provide them with rewarding career paths so as to develop a diverse, industry-leading team. Fair recruitment and promotion processes are implemented based on factors such as experience and performance. Moreover, we provided our employees competitive and rewarding remuneration package.

With businesses that highly depending on people, the Group is committed to embracing diversity as well as providing equal opportunity and a collaborative workplace. The Group strictly enforces an anti-discrimination policy and has zero tolerance for any form of harassments.

The Group endeavours to meet the needs of our employees by listening to their suggestions and feedback. Various platforms and mechanisms are available to facilitate open communication between management and employees. For instance, we have organised a Central Professional Units (CPU) townhall meeting themed "Together We Grow", and arranged a Q&A session for employees to interact with the management and further develop potential solutions in tackling the issues raised. Other communication channels are also available for our employees to voice their opinions, including monthly meetings for frontline and back-office staff of different ranks and positions via electronic means. We also put in place internal grievance channels which are stipulated in the Staff Handbook.

[1] Discrimination ordinances include Sex Discrimination Ordinance (Cap. 480), Disability Discrimination Ordinance (Cap. 487), Family Status Discrimination Ordinance (Cap. 527) and Race Discrimination Ordinance (Cap. 602).

Our Employees (Continued)

Employment Policy and Labour Standards (Continued)

To create a harmonious workplace and extend our care to our employees, we set up the "Motivational Campaign" to organise employee activities and provide benefits to employees from time to time. During the reporting year, the Group organised a variety of events and festive activities for our employees to strengthen their sense of belonging and foster workplace collaboration. We also encourage our employees to participate in various sports events, which can enhance their physical well-being and strengthen team spirit. For instance, we sponsored our staff to participate in the Standard Chartered Marathon and other charity races to encourage them to live a healthy lifestyle. We also launched a series of videos by a Chinese medicine practitioner for providing healthcare information to our employees.

The Group commits to upholding human rights and strictly prohibits the use of child labour and forced labour as stated in our guidelines for employing new hires. In 2021, we did not discover such practices in our operation.

Training and Development

As our employees are the Group's greatest asset, we make a great effort in training our employees while also providing opportunities for professional and personal advancement. We have Midland University to deliver specific training for our employees to equip them with the skills and knowledge required in carrying out their daily operations. Based on the job nature and rank of the employees, different training modules are developed. For instance, we have tailored training programmes for both frontline and back-office staff respectively.

New-joiner Training

- **Frontline staff:** property agency licensing class, foundation selling skills and operation procedure
- **Back-office staff:** Time management, project management and office manner

Core Training

- **Understanding the Group:** corporate culture, internal policy and system
- **Management and Development:** human resources management, sales management, self-management and talent development programme
- **Operating Practices:** legal and compliance, operation workflow and skills, and product knowledge
- **Work and Service Skills:** selling skills, customer service skills, language and other soft skills

Specialised Training

- **Talent Development Programmes:** specific training for high-potential staff
    - o "Elite Army" for frontline and back-office staff
    - o "PTU Plan" for frontline administrative staff and back-office assistants
- **Sales Talent Development Programme (DSA & MDSA):** series of training on selling skills, presentation skills and management skills

Our Employees (Continued)

Training and Development (Continued)

A digital learning management system was developed to provide flexibility to our employees to receive training at anytime and anywhere through a computer or electronic device. To facilitate better learning engagement, the system supports bite-sized learning as online courses are divided into shorter clips, which can be digested more effectively. This digital learning management system allowed the learning process to become easier, more effective and easily accessible.

Our effort in providing training to frontline staff is also externally recognised. The Group has been granted the accolade of Manpower Developer 1st for 11 consecutive years and was acknowledged as a “Super MD” by the Employees Retraining Board. Meanwhile, a total of 134 branches have obtained the CPD Mark for Estate Agencies by the Estate Agents Authority for the year 2021, ranking first among property agency companies.

Besides internal training programmes, we also provide subsidies for external training, professional certificates and examinations for our employees to keep pace with market development and pursue professional development courses of their choice. This helps encourage employees to pursue new knowledge and undertake life-long learning. We provide tailor-made professional estate agent certification training for our frontline staff for enhancing their professional knowledge in tax and mortgage, customer services, home ownership scheme. Staff who complete the specific series of training courses and fulfil relevant KPI will be certified as a specialist. Such certifications obtained by our frontline staff are listed on their profiles in our Agent Blog, which provides a platform to exhibit their credentials.

In addition to the training programmes, we also offer our employees a clear career development path. Promotion criteria are clearly outlined in our Staff Handbook. The annual appraisal is conducted to evaluate the employees’ job performance based on various rating factors, including functional competencies, job quality and skills and behavioural competencies, based on their responsibility and job nature. Employees can also discuss with their supervisor regarding the appraisal result and establish targets for the upcoming year. We also prioritise internal promotion of staff when there is a vacancy in a job position based on qualifications, job performance, competency and recommendation from supervisor or management.

Occupational Health and Safety

The Group cares about employees’ health and safety at work. We conform with the relevant occupational health and safety laws and regulations including the Occupational Safety and Health Ordinance (Cap. 509) and the Factories and Industrial Undertakings Ordinance (Cap. 59) in our operations. During the reporting year, we observed no material non-compliance cases concluded regarding the aforementioned laws and regulations.

The employees of the Group mainly comprise frontline and back-office staff, and various measures are carried out to enhance our employees’ awareness of occupational health and safety issues that may arise from their job nature and working environment. For instance, we have disseminated occupational health and safety information on the Company’s intranet. Information regarding the proper procedures of using various equipment in our offices and branches are provided to further educate our employees and prevent the occurrence of workplace injuries.

Our Employees (Continued)

Occupational Health and Safety (Continued)

Since the outbreak of the COVID-19 pandemic, the Group swiftly adopted various measures to protect the health and safety of our employees. Training and guidelines on the prevention of COVID-19 are provided to employees so that they uphold and maintain appropriate hygiene standards and are competent to perform their duties in a safe and healthy manner at the workplace. Based on the daily announcements from the Department of Health, we have been closely monitoring the development of the evolving situation to ensure appropriate measures are adopted in a timely manner. To provide a safe and hygienic working environment, we have strengthened the disinfection work at our offices and branches and provided adequate hygiene facilities such as automatic sanitising spraying machines. Guidelines were established for our employees to practice prevention measures including wearing masks in the office, performing daily temperature checks, carrying out virtual meetings, and adopting work from home arrangements. The Group also provided our front-line and back-office staff with personal protective equipment and hygiene kits to promote the caring spirit of “Midland We Care” within and outside the Group. Subsidies were also provided to our employees for COVID-19 test and anti-pandemic supplies.

We place great emphasis on enhancing the indoor air quality of our branches and offices as it directly affects the health of our employees and the comfort level in the working environment. We have formulated the Indoor Air Quality Policy which includes a set of measures to promote indoor air quality in our workspace. We installed dust filters to reduce suspended particles from entering the ventilation systems. Moreover, we also clean and conduct regular inspection and maintenance of ventilation system equipment including fans, dust filters, ventilation ducts and air hoods.

During the reporting year, there were no work-related fatality cases.

Our Environment

Environmental Management

We recognise our role in minimising the adverse impacts that our operations may have on the environment. The Group strictly adheres to all applicable environmental laws and regulations including the Air Pollution Control Ordinance (Cap. 311), Water Pollution Control Ordinance (Cap. 358) and Waste Disposal Ordinance (Cap. 354). As stipulated in our Environmental Policy, we are committed to better managing our environmental impacts and continuously incorporating environmental considerations into our decision-making process. We strive to protect the environment and lower our carbon footprint by conserving natural resources, reducing energy consumption, minimising and recycling waste, but without compromising the quality of our products and services.

During the reporting year, we observed no material non-compliance cases concluded regarding air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Climate Change and Energy Conservation

The Group is mindful of the adverse impacts caused by climate change on our business operations, the business community and overall society. The Group recognises our contribution to greenhouse gas emissions and strives to lower our carbon footprint through identifying opportunities to decarbonise our daily operations. We are taking steps in setting our sustainability targets. Committed to reducing air emissions, we have introduced and actively applied emission control measures in our operations. For example, we encourage our employees to replace business trips with alternative options, including telephone calls, video conferences and other online communication tools, where possible to reduce air pollution and greenhouse gas emissions. We cautiously monitor our greenhouse gas emissions in our head office by compiling annual greenhouse gas report in accordance with ISO14064-1:2018 standard. The report offers insights on potential improvement area to further reduce our emissions. It was also externally verified to ensure data accuracy.

Our Environment (Continued)

Climate Change and Energy Conservation (Continued)

The majority of the greenhouse gas emissions of the Group has arisen from energy consumption. As such, we have enhanced our energy efficiency and reduced energy consumption by setting energy use efficiency targets and initiating various improvement measures. To enhance the energy efficiency of our offices and branches, we have installed energy-efficient equipment including air conditioning systems and LED light bulbs and tubes. The reduction in energy consumption is estimated to be 20% – 30%. We also installed energy-saving systems and timers on the equipment in all our offices and branches to switch off equipment outside operating hours. To avoid wastage of electricity, our computers are set to automatically turn off after being idle for two hours and after midnight.

As a considerable amount of electricity is consumed from the signage at our branches, we have also installed timers on the external lighting to control the operating time. Moreover, the new 3D signage at our branches uses LED light strips, reducing the amount of electricity consumed by around 30%. During the reporting year, the Group was awarded the Energywi$e Certificate (Good Level) by the Hong Kong Green Organisation Certification to recognise our continuous efforts on energy conservation.

The threats of climate change is imminent. The occurrence of extreme weather events, such as severe typhoons, seasonal storms and abnormal precipitations, are likely to become more frequent with human-induced climate change. The Group continues to assess impacts to our operations and make respective enhancement to ensure and maintain our business operation under these extreme weather events or disruptions. The Board will monitor the risks and opportunities arise from climate change on ongoing basis and enhance our precautionary measures to strengthen our business climate resilience and get prepared for any potential climate impact.

Waste Management

In anticipation of the launch of the Municipal Solid Waste Charging Scheme in the upcoming years, the Group has taken extra steps to strengthen waste management practices. Despite utilising the online and digital platforms, the paper waste remains the major type of wastes we generate in our operations. To further reduce waste disposal, we established clear guidelines on reducing paper consumption and recycling waste paper. Also, we encourage the reuse of the single-sided used paper and brown envelopes for the internal circulation of documents. Frontline staff are also encouraged to proactively contact certified recyclers to collect waste paper for recycling. In recognition of our efforts, the Group was awarded the Wastewi$e Certificate (Excellence Level) by the Hong Kong Green Organisation Certification this year.

Moreover, a wide array of measures is adopted in our daily operations to scale up our waste management efforts. In addition to placing recycling facilities at specified locations to encourage waste sorting, we appoint a designated company for handling paper recycling. We also engage with our suppliers to recycle toner cartridges and encourage them to deliver fluorescent tubes to the designated collection points under the Environmental Protection Department's "Fluorescent Lamp Recycling Programme". A waste management control procedure has been adopted across the Group's businesses to enable effective identification, segregation, and handling of hazardous and non-hazardous waste.

Employee Environmental Awareness

The Group recognises the importance of behavioural change in enhancing our environmental performance. We place considerable efforts to enhance the environmental awareness of our employees, hoping to shift their mindset to incorporate sustainable practices in our day-to-day operations.

Our Environment (Continued)

Employee Environmental Awareness (Continued)

We have dedicated a page for environmental protection on the Company's intranet to effectively disseminate information on sustainable practices to our employees. This online platform also provides a communication channel to receive enquiries and suggestions on the Company's environmental issues from our employees. Through the intranet page, we have communicated the Group's stance on promoting environmental protection and proactively encourage our employees to practice the 4Rs – Reduce, Reuse, Recycle and Replace in their daily operations. For instance, our employees are encouraged to recycle promotional materials. Moreover, we have also placed labels of environmental protection messages eminently in the office and our branches to provide a constant reminder to our employees on the importance of operating in a sustainable manner.

Environmental Performance Data Summary

	Unit	Performance in 2021	Performance in 2020
Energy consumption			
Total electricity consumption	kWh	8,879,032	8,308,358
Energy intensity	GJ/employee	5.25	5.07
Greenhouse gas (GHG) emissions[1]			
Direct emissions (Scope 1)[2]	tonnes of CO_2 equivalent (tCO_2e)	0	0
Energy indirect emissions (Scope 2)[3]	tCO_2e	4,099.30	4,870.87
GHG emission intensity	tCO_2e/employee	0.67	0.82
Water consumption[4]			
Total water consumption	cubic meter (m^3)	8,455.00	7,189.84
Water intensity	m^3/employee	1.39	1.28
Waste management[5]			
Fluorescent tube disposed	pieces	1,327	1,329
Electrical appliances/components disposed	pieces	1,093	4,052
Electrical appliances/components recycled	pieces	320	192
Paper recycled	kg	10,675	9,875

Notes:

1 GHG emissions are calculated in accordance with the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 Edition) published by the Environmental Protection Department, HKSAR. We also took reference of global warming potential values from the IPCC Fifth Assessment Report and the emission factors from CLP Power Hong Kong Limited, The Hongkong Electric Company Limited and The Hong Kong and China Gas Company Limited respectively, for the calculation of GHG emissions.

2 Direct GHG emission (Scope 1) is generated from refrigerant consumption by water dispensers in the head offices. During the reporting year, there was no record of such refrigerant replacement. The comparative figure in 2020 has been restated for a consistent comparison.

3 Indirect GHG emission (Scope 2) is generated from electricity consumption by our head offices and branches.

4 Water consumption covers branch operation only. Water consumption in our head offices is insignificant, thus data is not collected for disclosure.

5 Non-hazardous waste disposed is insignificant in our offices and branches, thus data is not collected for disclosure.

Our Supply Chain

Overview of Our Supply Chain

To support our daily operations, the Group worked with 125 suppliers during the reporting year. Our main suppliers consist of companies that provide cleaning, insurance, security and transportation services, office equipment and printing products. To further promote local business development and reduce our carbon footprint, we also give priority to local suppliers when possible. In 2021, all our suppliers operate in Hong Kong.

Supplier Selection and Monitoring

We adhere to all applicable laws and regulations when procuring products and services. We also maintain a fair and reasonable procurement process for all our suppliers and service providers. During the tendering process, the Group communicates our high standards on conducting business in a responsible manner to our suppliers through our Vendor Code of Conduct. Regular assessments are also conducted to monitor and evaluate the performance of our suppliers, ensuring compliance and continuous improvement.

The Group recognises the importance of addressing the social, environmental, and ethical issues in our supply chain. We strive to promote environmentally sound procurement practices. The Group has established the Green Procurement Policy and revamped our tender document to reinforce our commitment. We adopt a comprehensive supply management mechanism to ensure appropriate management of environmental and social risks. Suppliers' ESG performance is one of the prime consideration factors in our selection process. We give priority to suppliers who can provide sustainable and socially responsible products and services. Some of our existing suppliers obtained various international certifications relating to environmental management and social responsibility. Selected suppliers are subject to ongoing monitoring and annual evaluation for quality assurance.

As we strive to minimise our environmental impact in our daily operations, we procure environmentally preferable products and services with a view to minimising adverse impact on environmental and human health when possible. For instance, we prioritise the use of environmentally-certified paper where possible, including paper certified by the Forest Stewardship Council (FSC). Moreover, we use soy-based ink for our printers to reduce environmental detriments as opposed to conventional petroleum-based ink. The Group is also taking steps in purchasing bio-degradable trash bags which are designed to decompose quickly and tackle plastic pollution.

Our Community

Our Community Investment

Our communities are inseparable from us, the Group has continuously invested considerable efforts in giving back to the communities in which we operate. By enriching our communities, we help them to thrive. We are also passionate about improving the wellness of the community, especially in challenging times. We distributed resources to serve different social groups in the community. In collaboration with various organisations, we strive to create long-term value for our community, and we grow with the community together for a better shared future.

Midland Charitable Foundation was established in 2004. 0.1% of the commission of the Group from every second-hand property transaction monthly is donated to the Midland Charitable Foundation to support charitable organisations for local community development.

Our Community (Continued)

Our Community Investment (Continued)

We create inclusive engagement for the community and foster the city's development through community investment. We also have guidelines on community engagement to understand the needs of the communities and to ensure our activities take into consideration the communities' interests. To optimise our effort in community investment, we conduct a thorough evaluation after the completion of each community event prior to determining the community event plan for the upcoming year. Our review covers activity objectives, the number of beneficiaries, participation frequencies and hours, and the number of employees who participated.

In the reporting year, the Group donated over HK$651,000 and provided approximately 130 hours of volunteer services to help the people in need. Thus, we are honoured to have our devotion towards supporting and caring for our community being recognised with the Caring Company Logo by The Hong Kong Council of Social Service for 18 consecutive years.

Combating COVID-19 together

2021 has been a challenging year for us all, and especially for the people working on the frontline to combat COVID-19 and vulnerable people with little or no resources to fall back on. The Group has taken active and prompt actions in supporting those in need. The Group has donated 5,000 sets of rapid test kits to The Lok Sin Tong Benevolent Society, Kowloon through the Midland Charitable Foundation to support our local communities to survive this global pandemic.

Caring for Local Elderly Citizens

Local seniors are one of the major target beneficiaries within the breadth of our community engagement. The Group sponsored the "Lok Sin Tong Virtual Charity Walk 2021" and "LST Buddy Chinese New Year Community Visit Activity" to raise funds for the projects of The Lok Sin Tong Benevolent Society, Kowloon. In this regard, we were awarded the Certificate of Appreciation of Caring Enterprise. In addition, we sponsored a series of festive celebrations organised by the Pentecostal Church of Hong Kong, including the "Mid-Autumn Festival Celebration" and "Birthday Party for Post-90s Seniors". We are always looking to creating great and memorable moments for our senior citizens.

Nurturing the Youth

Younger generations are the future leaders and innovators. Therefore, we are passionate about inspiring the youth and unleashing their potential through different exposure opportunities and development programs. The Group is committed to providing internship and employment opportunities to local students and graduates every year to help the new generation accumulate workplace experience and prepare for their future career development.

We have made donations to The Pok Oi Hospital Youth Concert and the Cantonese Opera Fundraising Show of the Faculty of Social Sciences of Hong Kong Baptist University to help students in developing their potential and encourage them to pursue their dreams. During the reporting year, apart from aforementioned donations, we also devoted ourselves to a series of signature events to bring positive impacts to the community.

On top of the internship program, the Group supported the "Project WeCan" campaign for 8 consecutive years to provide comprehensive support to our partner school, HKSKH Bishop Hall Secondary School. The "Career Exploration Day" workshops helped the local students to gain a better understanding of the real estate agency industry by enhancing their interview skills and helping them to plan their careers.

Our Community (Continued)

Nurturing the Youth (Continued)

The Group sponsored the underprivileged students to participate in various activities through St. James' Settlement every year with the aim of broadening their horizons. This year, the Group organised an online "Waste Paper Carton Upcycling Workshop" and "Eco-friendly Glass Bonsai Workshop" with the theme of environmental protection. The Group also sponsored a number of staff members to participate in the "Santa Run 2021" through Midland Charitable Foundation. The funds were used to support Hope Worldwide to provide services to children with special educational needs (SEN).

Caring for Chronic Patients

The Group has always been passionate about philanthropy and has supported the Lifeline Express Hong Kong Foundation for 9 consecutive years to raise funds for the treatment of poor cataract patients in Mainland China. This year, Midland Charitable Foundation sponsored its staff to participate in the "Lifeline Express Charity Run 2021", with the aim of encouraging them to stay "Physically Fit" while doing good deeds. A number of athletes started from Tsim Sha Tsui and eventually completed the 8km race together.

In addition, the Group has also supported "Hike for Hospice" held by the Society for the Promotion of Hospice Care for 16 years in a row. Combining charity with sports, members of the participating team strived for their very best in the short-distance race to give back to the society and raised funds for people in need of hospice services.

Protecting the Environment

The Group has always attached great importance to environmental protection and cared for the community. Therefore, the Group has signed the "Eat Wise Charter" with the environmental protection organisation "Food Grace" during the Mid-Autumn Festival and set up recycling bins in each office to encourage employees to donate unopened mooncakes to the organisation for donation to low-income families on the eve of the Mid-Autumn Festival, with a view to reducing food waste and promoting green festive culture while sharing the joy with the grassroots.

Social Performance Data Table

	Unit	2021
Employee Profile[1]		
Total workforce	No. of people	6,094
Total workforce by employment type		
Full-time	No. of people	5,701
Part-time	No. of people	393
Total workforce by gender[2]		
Male	No. of people	3,116
Female	No. of people	2,585
Total workforce by employee category[2]		
General staff	No. of people	4,922
Middle management	No. of people	656
Senior management	No. of people	123
Total workforce by age group[2]		
18–29	No. of people	1,075
30–50	No. of people	3,025
Above 50	No. of people	1,601
Total workforce by geographic location[2]		
Hong Kong	No. of people	5,701
Employee Turnover		
Total employee turnover rate[3]	%	54% (Frontline: 57%) (Back-office: 20%)
Employee turnover rate by gender[3]		
Male	%	50%
Female	%	60%
Employee turnover rate by age group[3]		
18–29	%	86%
30–50	%	47%
Above 50	%	46%
Employee turnover rate by geographic location[3]		
Hong Kong	%	100%

1 The number of employees only covers the in-scope business operations as described under the section headed "Reporting Scope and Boundary".

2 Only full-time employees are calculated in the breakdown by gender, employee category, age group and geographic location.

3 Turnover rate = number of full-time employees who left the Group during the reporting year in the specified category / average number of full-time employees in the specified category at the beginning and at the end of the reporting year * 100%

Social Performance Data Table (Continued)

	Unit	2021
Development and Training		
Total workforce trained[4]	No. of people	7,524
Percentage of employees trained by gender		
Male	%	53%
Female	%	47%
Percentage of employees trained by employee category		
General staff	%	89%
Middle management	%	9%
Senior management	%	2%
Average training hours per employee by gender		
Male	Hours/employee	16.02
Female	Hours/employee	16.83
Average training hours per employee by employee category		
General staff	Hours/employee	16.25
Middle management	Hours/employee	17.94
Senior management	Hours/employee	15.82
Occupational Health and Safety		
Lost day due to work injury[5]	No. of days	1,550.5
Work-related fatalities	No. of people	Nil – there were no work-related fatalities occurred in each of the past three years including the reporting year (2021).
Supply Chain Management		
Number of suppliers by geographic location		
Hong Kong China	No. of suppliers	125

4 The total of workforce trained includes employees who left the Group during the reporting year.

5 The lost day is calculated based on sum of the number of injuries * number of days cannot attend to work.

Our ESG Awards

Awards for Environmental Performance

Organiser	Award and Recognition
CLP Group	CLP Smart Energy Award 2021 – Joint Energy Saving Award
Hong Kong Green Organisation Certification	Wastewi$e Certificate – Excellence Level
Hong Kong Green Organisation Certification	Energywi$e Certificate – Good Level
Estate Agents Authority	Estate Agents Energy Saving Award Scheme – Grand Award – Gold Award
Estate Agents Authority	Estate Agents Energy Saving Award Scheme – Grand Award – Bronze Award
Estate Agents Authority	Estate Agents Energy Saving Award Scheme – 260 Branches Received the “Energy Saving Shop” Label

Business Related Awards

Organiser	Award and Recognition
Marketing Magazine	DigiZ Awards 2021 – Most Innovative Use of Technology – Bronze Award
Hong Kong Investor Relations Association	Investor Relations Awards 2021 – Best IR by Chairman/CEO
Hong Kong Investor Relations Association	Investor Relations Awards 2021 – Best IRO (Investor Relations Officer)
Hong Kong Investor Relations Association	Investor Relations Awards 2021 – Best IR Company
Hong Kong Investor Relations Association	Investor Relations Awards 2021 – Best IR Team
Hong Kong Investor Relations Association	Investor Relations Awards 2021 – Best Investor Meeting
Hong Kong Customer Contact Association	Best Contact Centre in Omni-channel Deployment – Gold Award
Hong Kong Customer Contact Association	Inbound Contact Centre of the Year – Silver Award
JobMarket	Employer of Choice Award
JobMarket	Asia Pacific Outstanding Employer Award

Our ESG Awards (Continued)

Business Related Awards (Continued)

Organiser	Award and Recognition
JobMarket	Employer Brand Management Award
JobMarket	Caring Employer: COVID-19 Caring Employers Award
Employees Retraining Board	Manpower Developer Award Scheme – Super MD
The Hong Kong General Chamber of Small and Medium Business	Partner Employer Award 2021 (5 Years Plus)
e-zone	E-brand Awards – The Best Property Agency O2O Platform
Economic Digest	Hong Kong Outstanding Listed Enterprises (Main Board Companies) – Outstanding Real Estate Agency
HK01 & 01 ICON	FinTech Award – Leading User-Rated Property Hunting App
Hong Kong Business	Hong Kong Business Technology Excellence Awards 2021 – Digital – Real Estate Award
Hong Kong Business	Hong Kong Business Technology Excellence Awards 2021 – Augmented Reality and Virtual Reality – Real Estate Award
Hong Kong Management Association & The Sales and Marketing Executives (SME) Club	Distinguished Salesperson Award (DSA)

Awards for Corporate Social Responsibility

Organiser	Award and Recognition
InspiringHK Sports Foundation	SportsHour Company Scheme
The Hong Kong Council of Social Service	15 Years Plus Caring Company Logo
Promoting Happiness Index Foundation	Happiness at Work Promotional Scheme 2021 – Happy Company
The Lok Sin Tong Benevolent Society, Kowloon	Caring Enterprise
Estate Agents Authority	CPD Mark for Estate Agencies

Appendix: Content Index

Subject Areas, Aspects, General Disclosures and KPIs		Reference/Remarks	Page
A. Environmental			
Aspect A1 Emissions			
General Disclosure		Environmental Management	43
KPI A1.1	The types of emissions and respective emissions data.	Air emissions are insignificant in the Group's business.	N/A
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	Environmental Performance Data Summary	45
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Environmental Performance Data Summary	45
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Environmental Performance Data Summary	45
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Climate Change and Energy Conservation	43-44
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management	44
Aspect A2 Use of Resources			
General Disclosure		Environmental Management	43
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	Environmental Performance Data Summary	45
KPI A2.2	Water consumption in total and intensity.	Environmental Performance Data Summary	45
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Climate Change and Energy Conservation	43-44
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water consumption is not material in the Group's business operation.	N/A
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The use of packaging material for finished products is not applicable to the Group's business.	N/A
Aspect A3 The Environment and Natural Resources			
General Disclosure		Environmental Management	43
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Employee Environmental Awareness	44-45
Aspect A4 Climate Change			
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KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change and Energy Conservation	43-44

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KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Social Performance Data Table	49-50
Aspect B2 Health and Safety			
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KPI B.2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Social Performance Data Table	49-50
KPI B.2.2	Lost days due to work injury.	Social Performance Data Table	49-50
KPI B.2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupational Health and Safety	42-43
Aspect B3 Development and Training			
General Disclosure		Training and Development	41-42
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Social Performance Data Table	49-50
KPI B3.2	The average training hours completed per employee by gender and employee category.	Social Performance Data Table	49-50
Aspect B4 Labour Standards			
General Disclosure		Employment Policy and Labour Standards	40-41
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment Policy and Labour Standards	40-41
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employment Policy and Labour Standards	40-41

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KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supplier Selection and Monitoring	46
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supplier Selection and Monitoring	46
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supplier Selection and Monitoring	46
Aspect B6 Product Responsibility			
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KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	This is not applicable to the Group's business.	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Feedback Handling	39
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product and Service Responsibility	38
KPI B6.4	Description of quality assurance process and recall procedures.	Product and Service Responsibility	38
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Privacy and Data Protection	39
Aspect B7 Anti-corruption			
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KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Ethical Business Operation	34
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Report of the Directors

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

Adoption of Chinese Name

The Company has formally adopted the Chinese name of "美聯集團有限公司" as the secondary name of the Company with effect from 25 June 2021. The adoption of Chinese Name was approved by the shareholders of the Company at the annual general meeting of the Company held on 18 June 2021. Details relating to the adoption of Chinese name were set out in the announcements of the Company dated 30 March 2021 and 23 July 2021, and the circular of the Company dated 29 April 2021.

Principal Activities and Segment Information

The principal activity of the Company is investment holding. The activities of its principal subsidiaries and joint ventures are set out in note 37 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 31 December 2021 by operating segments is set out in note 7 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2021 are set out in the consolidated income statement on page 78 of this Annual Report.

The Board does not recommend the payment of final dividend for the year ended 31 December 2021 (2020: Nil).

Dividend Policy

The Company has adopted a dividend policy which is to provide relatively steady dividend payout ratio, linked to the Group's earnings performance and cash flow position as well as the business environment.

In view of its growth potentials, it is also the intention of the Group to maintain a position of financial stability and solid cash holdings to take advantage of any expansion or investment opportunities that may arise from time to time.

Business Review

A fair review of the business of the Group and particulars of important events affecting the Group that have occurred since the end of the financial year as well as discussion on the future business development of the Group are provided in the Chairman's Statement on pages 9 to 11, the Strategic Review and Planning on pages 12 to 13 and the Management Discussion and Analysis on pages 71 to 72 of this Annual Report. Description of the principal risks and uncertainties facing by the Group can be found in the Chairman's Statement on pages 9 to 11 and note 4 to the consolidated financial statements on pages 100 to 108 of this Annual Report. An analysis using financial key performance indicators can be found in the Management Discussion and Analysis on pages 71 to 72 of this Annual Report. A discussion of the Group's environmental policies and performance is provided in the Environmental, Social and Governance Report on pages 33 to 55 of this Annual Report. The above sections form part of this report.

In addition, discussions on the relationships with its key stakeholders and compliance with the relevant laws and regulations which have a significant impact on the Group are provided in the paragraphs below.

Business Review (Continued)

Relationships with key stakeholders

The Group maintains good relationship with its key stakeholders, which include employees, customers and shareholders.

Employees

The Group considers its employees as important and valuable assets, and is committed to providing a pleasant working environment and promoting work-life balance. In this regard, the Group has implemented various policies, ranging from casual wear day, birthday and family-care holiday, to organising various leisure activities for its employees from time to time.

The Group believes that communication is important in building up good relationship between management and employees. The management issues regular newsletters which are circulated to the employees through intranet. The Group also encourages employees to provide suggestions to the Group through various platforms.

Customers

The Group's main customers are purchasers, vendors, landlords and tenants of properties. The Group considers customers as a major stakeholder and is committed to providing comprehensive and high quality customer services.

Shareholders

The Group is committed to enhancing the shareholders' value and safeguarding the shareholders' interest through sound and effective corporate governance practices and procedures. Further discussion of the corporate governance practices and procedures is set out in the Corporate Governance Report on pages 17 to 28 of this Annual Report.

Compliance with the relevant laws and regulations

As the principal activities of the Group are provision of estate agency services, the Group takes particular care to comply with the requirements of the Estate Agents Ordinance and the Residential Properties (First-hand Sales) Ordinance. The Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance and the guidelines issued by the Office of the Privacy Commissioner for Personal Data. To ensure compliance with the applicable laws and regulations, the Group conducts regular training sessions for its staff, sets out guidelines and issues internal circulars to its staff from time to time.

In relation to human resources, the Group is committed to complying with the employment related ordinances such as the Employment Ordinance, the Minimum Wage Ordinance, the Personal Data (Privacy) Ordinance, the ordinances relating to disability, sex, family status and race discrimination as well as the ordinance relating to occupational safety and health.

On the corporate level, the Company is committed to complying with the requirements under the Listing Rules and the Securities and Futures Ordinance (the "SFO"), such as disclosure of information and corporate governance. The Company has complied with the code provisions set out in the Code throughout the year ended 31 December 2021. 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.

Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 26 and note 35 to the consolidated financial statements respectively.

Charitable Donations

During the year, the Group made charitable donations totalling HK$1,483,000 (2020: HK$1,223,000).

Property and Equipment

Details of the movements in property and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

Investment Properties

Details of the movements in investment properties of the Group during the year are set out in note 18 to the consolidated financial statements. Details of the properties held for investment purposes are set out on page 147 of this Annual Report.

Share Capital

Details of the share capital of the Company during the year are set out in note 25 to the consolidated financial statements.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's bye-laws and there are no restrictions against such rights under the applicable laws of Bermuda.

Distributable Reserves

As at 31 December 2021, the reserves of the Company available for distribution amounted to HK$285,172,000 (2020: HK$278,513,000).

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 148 of this Annual Report.

Purchase, Sale or Redemption of the Company's Listed Securities

In September 2021, the Company repurchased a total of 960,000 shares of the Company on the Stock Exchange at an aggregate consideration of HK$1,360,900. The repurchase of shares was approved by the Board for the enhancement of the shareholders' value and the Company's net asset value and/or its earnings per share. Details of the shares repurchased are as follows:

Month of Repurchase	No. of Shares Repurchased	Price paid per Share Highest (HK$)	Price paid per Share Lowest (HK$)	Aggregate Consideration (HK$)
September	960,000	1.46	1.38	1,360,900

The shares repurchased were subsequently cancelled on 30 September 2021.

Save as disclosed above, 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 2021.

Board of Directors

The Directors who held office during the year ended 31 December 2021 and up to the date of this Annual Report are as follows:

Executive Directors

Mr. WONG Kin Yip, Freddie *(Chairman)*
Ms. WONG Ching Yi, Angela *(Deputy Chairman and Managing Director)*
Mr. WONG Tsz Wa, Pierre *(Managing Director)*
Mr. CHEUNG Kam Shing

Non-Executive Director

Mr. WONG Wing Cheung Dennis *(resigned with effect from 28 November 2021)*

Independent Non-Executive Directors

Mr. HO Kwan Tat, Ted
Mr. SUN Tak Chiu
Mr. WONG San

In accordance with bye-law 87 of the Company's bye-laws, Mr. WONG Kin Yip, Freddie, Mr. WONG San and Mr. HO Kwan Tat, Ted shall retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, shall offer themselves for re-election.

The Company received from all Independent Non-Executive Directors annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all the Independent Non-Executive Directors to be independent.

Directors' Service Contracts

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Transactions, Arrangements and Contracts of Significance

Save as disclosed in this Annual Report, no transactions, arrangements and contracts that are significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Permitted Indemnity Provision

Pursuant to the bye-laws of the Company, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his or her duty, or supposed duty, in his or her office provided that this indemnity shall not extend to any matter in respect of any wilful negligence, wilful default, fraud or dishonesty which may attach to him or her. The Company has arranged directors and officers liability insurance for the directors of the Group.

Equity-linked Agreements

Other than the share option schemes of the Company, no equity-linked agreements that will or may result in the Company issuing shares nor requiring the Company to enter into an agreement that will or may result in the Company issuing shares was entered into by the Company during the year or subsisted at the end of the year.

Details of the share option schemes of the Company are set out in the section headed “Share Option Schemes” in this Annual Report.

Share Option Schemes

2002 Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting held on 30 April 2002, the Company adopted the 2002 share option scheme (the “2002 Share Option Scheme”). The 2002 Share Option Scheme had expired on 29 April 2012. A summary of the 2002 Share Option Scheme is as follows:

(a) Purpose

The principal purposes of the 2002 Share Option Scheme are to enable the Group to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest (“Invested Entity”), to recognise the significant contributions of the eligible persons to the growth of the Group or any Invested Entity by rewarding them with opportunities to obtain ownership interest in the Company and to further motivate and to give incentives to these eligible persons to continue to contribute to the long term success and prosperity of the Group or any Invested Entity.

(b) Eligible persons

(i) any employee (whether full time or part time and including executive director) of any member(s) of the Group or any Invested Entity;

(ii) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; and

(iii) any supplier, customer, consultant, adviser or agent to and of any member of the Group or any Invested Entity.

(c) Total number of shares available for issue

No share is available for issue under the 2002 Share Option Scheme as at the date of this Annual Report. Since the 2002 Share Option Scheme had expired on 29 April 2012, no more option had been granted from that date.

(d) Maximum entitlement of each eligible person

The maximum number of shares issued and to be issued upon exercise of the options granted to each eligible person under the 2002 Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue.

Any further grant of share options in excess of the above-mentioned limit shall be subject to the separate approval by the shareholders of the Company at general meeting (with such eligible person and his or her associates abstaining from voting), and other requirements prescribed under the Listing Rules and/or other applicable statutory regulations or rules which must be complied with.

Share Option Schemes (Continued)

2002 Share Option Scheme (Continued)

(e) Maximum entitlement of each eligible person who is a connected person

The maximum number of shares issued and to be issued upon exercise of the options granted under the 2002 Share Option Scheme and any other share option scheme(s) of the Company to each eligible person who is an Independent Non-Executive Director or a substantial shareholder of the Company, or any of their respective associates, in any 12-month period shall not exceed 0.1% of the total number of shares of the Company in issue and the aggregate value which based on the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of each grant shall not exceed HK$5,000,000.

Any further grant of share options in excess of the above-mentioned limit shall be separately approved by the shareholders of the Company with all connected persons of the Company abstaining from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his or her intention to do so has been stated in the circular to be sent to the shareholders of the Company, and subject to other requirements prescribed under the Listing Rules and/or other applicable statutory regulations or rules which must be complied with.

(f) Time of exercise of option

An option may be exercised in accordance with the terms of the 2002 Share Option Scheme at any time during a period within which the option shall be exercised, to be notified by the Board to each eligible person who accepts an offer in accordance with the terms of the 2002 Share Option Scheme, provided that it shall commence on a date not more than ten years from the date of grant.

(g) Acceptance of offer

An offer for the grant of an option made by the Company must be accepted within twenty-eight days from the day on which such offer is made. The amount payable to the Company on acceptance of the offer for the grant of an option is HK$1.

(h) Basis of determining the exercise price

The exercise price of an option to subscribe for shares granted under the 2002 Share Option Scheme shall be a price determined by the Board at its absolute discretion and notified to an eligible person and shall be no less than the highest of:

(i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of offer;

(ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and

(iii) the nominal value of a share of the Company.

(i) Remaining life of the 2002 Share Option Scheme

The 2002 Share Option Scheme became effective on 30 April 2002 and had remained in force for a period of ten years from that date and had expired on 29 April 2012.

The terms of the 2002 Share Option Scheme remained in force for the share options already granted under the 2002 Share Option Scheme and were outstanding during the year.

Share Option Schemes (Continued)

2016 Share Option Scheme

Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 23 June 2016, the Company adopted the 2016 share option scheme (the "2016 Share Option Scheme"). A summary of the 2016 Share Option Scheme is as follows:

(a) Purpose

The principal purposes of the 2016 Share Option Scheme are to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to, the selected participants, to attract and retain the best quality personnel for the development of the business of the Company and each of its direct or indirect subsidiary, associated company, jointly controlled entity or joint venture (collectively, the "Eligible Group"), to recognise the contributions of the selected participants to the growth of the Eligible Group by rewarding them with opportunities to obtain ownership interest in the Company, and/or to promote the long term success of the Eligible Group by aligning the interests of the selected participants to the shareholders of the Company.

(b) Participants

The participants of the 2016 Share Option Scheme are any director (including any executive director of the Company), executive, officer or employee (whether full-time or part-time) of each member of the Eligible Group (but excluding each member of the committee appointed by the Board from time to time for the purpose of administration of the 2016 Share Option Scheme), as absolutely determined by the Board in accordance with the terms of the 2016 Share Option Scheme.

(c) Total number of shares available for issue

The maximum number of shares which might be issued upon exercise of all options granted or to be granted under the 2016 Share Option Scheme should not in aggregate exceed 5% of the total number of shares in issue (i.e. 35,902,300 shares) as at the date of the adoption of the 2016 Share Option Scheme.

The total number of shares available for issue for options which may be granted and for all outstanding options granted under the 2016 Share Option Scheme are 26,728,000 shares and 9,174,300 shares, representing approximately 3.73% and 1.28% of the issued shares of the Company respectively as at the date of this Annual Report.

(d) Maximum entitlement of each participant

The maximum number of shares issued and to be issued upon exercise of all options granted to each participant under the 2016 Share Option Scheme and any other share option schemes of the Company (including those exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue.

Any further grant of share options in excess of the above-mentioned limit shall be subject to the separate approval by the shareholders of the Company in general meeting with such participant and his or her close associates, or his or her associates if the participant is a connected person (all within the meaning as ascribed under the Listing Rules) of the Company, abstaining from voting, and all other requirements prescribed under the Listing Rules.

Share Option Schemes (Continued)

2016 Share Option Scheme (Continued)

(e) Maximum entitlement of each participant who is a connected person

The maximum number of shares issued and to be issued upon exercise of all options granted under the 2016 Share Option Scheme and any other share option scheme(s) of the Company to each participant who is an Independent Non-Executive Director or a substantial shareholder of the Company, or any of their respective associates, in any 12-month period shall not exceed 0.1% of the total number of shares of the Company in issue and the aggregate value based on the closing price of the shares of the Company at the date of each grant shall not exceed HK$5,000,000.

Any further grant of share options in excess of the above-mentioned limit shall be approved by the shareholders of the Company with all core connected persons (within the meaning as ascribed under the Listing Rules) of the Company abstaining from voting in favour at such general meeting.

(f) Time of exercise of option

An option may be exercised in accordance with the terms of the 2016 Share Option Scheme at any time during a period within which the option may be exercised, to be notified by the Board to each participant who accepts an offer in accordance with the terms of the 2016 Share Option Scheme, provided that it shall commence on a date not later than ten years from the date of grant.

(g) Acceptance of offer

An offer for the grant of an option made by the Company must be accepted within ten business days from the day on which such offer is made. The amount payable to the Company on acceptance of the offer for the grant of an option is HK$1.

(h) Basis of determining the exercise price

The exercise price of an option to subscribe for shares granted under the 2016 Share Option Scheme shall be a price solely determined by the Board at its absolute discretion and shall not be less than the highest of:

(i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option which must be a business day;

(ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five consecutive business days immediately preceding the date of grant of the option; and

(iii) the nominal value of a share of the Company on the date of grant of the option.

(i) Remaining life of the 2016 Share Option Scheme

The 2016 Share Option Scheme became effective on 23 June 2016 and will remain in force for a period of ten years from that date.

Share Option Schemes (Continued)

Movements in Share Options of the Company

Movements in the outstanding share options of the Company granted under the 2002 Share Option Scheme and the 2016 Share Option Scheme during the year were as follows:

			Number of share options						
Name	Date of grant *(Note 1)*	Exercise price per share HK$	Balance outstanding as at 1 January 2021	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year	Balance outstanding as at 31 December 2021	Exercisable period
Directors									
Mr. WONG Kin Yip, Freddie	17 January 2020	1.09	4,587,150	–	–	–	–	4,587,150	17 January 2021 to 16 January 2028
Ms. WONG Ching Yi, Angela	27 October 2011	3.81	3,604,580	–	(3,604,580)	–	–	–	1 October 2013 to 30 September 2021
	17 January 2020	1.09	4,587,150	–	–	–	–	4,587,150	17 January 2021 to 16 January 2028
			12,778,880	–	(3,604,580)	–	–	9,174,300	

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercisable period.

2. The number and/or exercise price of the share options may be subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2021, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or notified to the Company and the Stock Exchange pursuant to the Model Code or otherwise, were as follows:

Long positions in the shares and underlying shares of the Company

	Number of ordinary shares		Number of underlying shares		
Name of Directors	Personal interest/ Beneficial owner	Corporate interest/ Interest of controlled corporations	Personal interest/ Beneficial owner *(Note 1)*	Total	Approximate percentage of the issued voting shares of the Company
Mr. WONG Kin Yip, Freddie	24,490,000	241,035,824 *(Note 2)*	4,587,150	270,112,974	37.67%
Ms. WONG Ching Yi, Angela	–	–	4,587,150	4,587,150	0.64%

Notes:

1. These underlying shares (being physically settled unlisted derivatives) were held by the Director(s) by virtue of the interests in the share options of the Company granted to him/her. Details of the share options granted by the Company to the above Directors are set out in the section headed "Share Option Schemes" in this Annual Report.

2. These shares were held by Sunluck Services Limited which was indirectly wholly-owned by Mr. WONG Kin Yip, Freddie through his wholly-owned company, namely Southern Field Trading Limited.

Save as disclosed above, as at 31 December 2021, neither the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this Annual Report, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2021, the interests and short positions of the substantial shareholders and other persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of substantial shareholders	Number of ordinary shares/ underlying shares	Holding capacity/ Nature of interest	Approximate percentage of the issued voting shares of the Company
Ms. TANG Mei Lai, Metty *(Note 1)*	270,112,974 (L)	Interest of spouse/Family interest	37.67%
Southern Field Trading Limited *(Note 2)*	241,035,824 (L)	Interest of controlled corporation/ Corporate interest	33.61%
Sunluck Services Limited *(Note 2)*	241,035,824 (L)	Beneficial owner/Beneficial interest	33.61%
Sun Life Financial, Inc. *(Note 3)*	93,766,100 (L)	Interest of controlled corporations/ Corporate interest	13.08%
Sun Life of Canada (U.S.) Financial Services Holdings, Inc. *(Note 3)*	93,766,100 (L)	Interest of controlled corporations/ Corporate interest	13.08%
Massachusetts Financial Services Company *(Note 3)*	89,710,100 (L) 4,056,000 (L)	Investment manager/Other Interest Interest of controlled corporations/ Corporate interest	12.51% 0.57%
LAM Yuen Hing *(Note 4)*	18,456,000 (L) 17,978,000 (L)	Beneficial owner/Beneficial interest Interest of spouse/Family interest	2.57% 2.51%

Remark: (L) – Long Position

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares (Continued)

Notes:

1. Such interests comprise (i) 265,525,824 ordinary shares held directly and indirectly by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty; and (ii) 4,587,150 underlying shares (being physically settled unlisted derivatives) held by Mr. WONG Kin Yip, Freddie by virtue of the interests in the share options of the Company granted to him, as disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Schemes" in this Annual Report. Accordingly, Ms. TANG Mei Lai, Metty was deemed to be interested in the same block of ordinary shares and underlying shares of the Company in which Mr. WONG Kin Yip, Freddie was interested/deemed to be interested.

2. The two references to 241,035,824 ordinary shares relate to the same block of ordinary shares of the Company deemed to be interested by Mr. WONG Kin Yip, Freddie as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this Annual Report. Southern Field Trading Limited was deemed to be interested in such ordinary shares of the Company held by Sunluck Services Limited.

3. Details of the interest in long position of the 93,766,100 ordinary shares in which Sun Life Financial, Inc. ("SLF") was deemed to be interested were as follows:

   Massachusetts Financial Services Company ("MFS") was interested in (through itself and its 100% controlled corporations) an aggregate of 93,766,100 ordinary shares. MFS was a 95.99% owned subsidiary of Sun Life of Canada (U.S.) Financial Services Holdings, Inc. ("SLCFS") which was a 99.92% owned subsidiary of Sun Life Financial (U.S.) Investments LLC ("SLF(US)I"). SLF(US)I was an indirect wholly-owned subsidiary of SLF.

   MFS was a subsidiary of SLCFS and SLF. Accordingly, SLCFS and SLF were deemed to be interested in the same number of ordinary shares deemed to be interested by MFS.

4. Such long position includes interests in ordinary shares only.

Save as disclosed above, as at 31 December 2021, no other substantial shareholders or persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major Customers and Suppliers

Sales to the Group's five largest customers accounted for less than 30% of the total revenues of the Group during the year ended 31 December 2021. The Group had no major suppliers due to the nature of the principal activities of the Group.

Related Party Transactions

The Group entered into certain transactions with parties regarded as "Related Parties" under applicable accounting principles. The significant related party transactions entered into by the Group during the year set out in note 34 to the consolidated financial statements which constitute non-exempt connected/continuing connected transactions are disclosed in the paragraphs below, in respect of which the relevant disclosure requirements under Chapter 14A of the Listing Rules have been complied with. Save as disclosed in the paragraphs below, the significant related party transactions entered into by the Group during the year set out in note 34 to the consolidated financial statements constitute exempt connected/continuing connected transactions.

Continuing Connected Transactions

The following transactions between certain connected persons (as defined in the Listing Rules) of the Company and the Group were entered into and during the year ongoing for which relevant announcements had been made by the Company in accordance with the Listing Rules.

1. A cross referral services agreement (the "Cross Referral Services Agreement (2021)") was made on 8 February 2021 between the Company and Midland IC&I Limited ("Midland IC&I"), an associate of Mr. WONG Kin Yip, Freddie (the Chairman, Executive Director and substantial shareholder of the Company), in relation to cross referral services provided between the relevant members of the Group and of Midland IC&I and its subsidiaries (the "Midland IC&I Group") for the period from 16 November 2020 to 15 November 2023, whereby the Group may refer estate agency business in respect of industrial and commercial properties and shops in Hong Kong, Macau and the People's Republic of China (the "PRC") to the relevant members of the Midland IC&I Group from time to time, and the Midland IC&I Group may refer estate agency business in respect of residential properties in Hong Kong, Macau and the PRC to the relevant members of the Group from time to time (the "Cross Referral Transactions"). The Cross Referral Transactions are conducted on a case-by-case basis and on normal commercial terms. The Cross Referral Transactions contemplated thereunder and the relevant annual caps were approved at the special general meeting of the Company held on 1 April 2021.

   Under the Cross Referral Services Agreement (2021), the annual caps for the referral fees paid/payable by the Group to the Midland IC&I Group for the period from 16 November 2020 to 31 December 2020, for the year ended 31 December 2021, for the year ending 31 December 2022 and for the period from 1 January 2023 to 15 November 2023 are HK$10 million, HK$50 million, HK$50 million and HK$40 million respectively, while the annual caps for the referral fees paid/payable by the Midland IC&I Group to the Group for the period from 16 November 2020 to 31 December 2020, for the year ended 31 December 2021, for the year ending 31 December 2022 and for the period from 1 January 2023 to 15 November 2023 are HK$15 million, HK$110 million, HK$110 million and HK$95 million respectively. Details relating to the Cross Referral Services Agreement (2021) and the annual caps were set out in the announcement and circular of the Company dated 8 February 2021 and 15 March 2021 respectively.

   The aggregate values of the referral fees paid/payable (i) by the Group to the Midland IC&I Group under the Cross Referral Services Agreement (2021) and (ii) by the Midland IC&I Group to the Group under the Cross Referral Services Agreement (2021) for the year ended 31 December 2021 was approximately HK$27.2 million and HK$58.5 million respectively, which had not exceeded the respective cap value for that year.

2. A tenancy and licence framework agreement was made on 23 October 2019 between the Company and Mr. WONG Kin Yip, Freddie, the Chairman, Executive Director and substantial shareholder of the Company, in relation to the existing and/or future letting and licensing of the property(ies) in Hong Kong legally and beneficially owned by members of the landlord entities (being Mr. WONG Kin Yip, Freddie and his associates but excluding the Group and, for the avoidance of doubt, Midland IC&I Group, as landlords) to members of the Group (as tenants and/or licensees) for a period of 3 years commencing from 19 September 2019 to 18 September 2022 (both days inclusive). The properties leased/licensed are and will be used as branches for the real estate agency business of the Group, offices of the Group, car parks for staff of the Group, marketing and promotion of the real estate agency business of the Group, etc. The annual caps for the period from 19 September 2019 to 31 December 2019, the two years ended 31 December 2020 and 2021 and the period from 1 January 2022 to 18 September 2022 are HK$3,500,000, HK$6,300,000, HK$6,900,000 and HK$7,600,000, respectively. The total value of right-of-use assets relating to the tenancy agreements/licence agreements entered into by the Group during the year ended 31 December 2021 was approximately HK$6,377,000, which had not exceeded the annual cap for the said year. Details relating to the above transactions and the annual caps were set out in the announcement of the Company dated 23 October 2019.

Continuing Connected Transactions (Continued)

The Independent Non-Executive Directors have reviewed the continuing connected transactions mentioned above pursuant to Rule 14A.55 of the Listing Rules and confirmed that, the aforesaid continuing connected transactions have been entered into:

i. in the ordinary and usual course of business of the Group;

ii. on normal commercial terms or better; and

iii. according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the above continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified report containing its findings and conclusions in respect of the continuing connected transactions disclosed on pages 68 to 69 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's report has been provided by the Company to the Stock Exchange.

Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the Directors' information subsequent to the date of the 2021 interim report of the Company are set out below:

1. Mr. WONG Tsz Wa, Pierre is entitled to an annual director's fee of HK$200,000, monthly additional remuneration of HK$359,000 and profit sharing of the Group and the Group's business unit under the brand name "Hong Kong Property" respectively in the relevant financial year.

2. Mr. CHEUNG Kam Shing is entitled to an annual director's fee of HK$200,000, monthly additional remuneration of HK$138,334, profit sharing and commission from the property agency business undertaken by the Group in the PRC.

Retirement Scheme

Details of the Group's retirement scheme are set out in note 9 to the consolidated financial statements.

Principal Subsidiaries and Joint Ventures

Details of the Company's principal subsidiaries and joint ventures as at 31 December 2021 are set out in note 37 to the consolidated financial statements.

Borrowings

Particulars of borrowings of the Group as at 31 December 2021 are set out in note 29 to the consolidated financial statements.

Emolument Policy

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the Executive Directors are reviewed by the Remuneration Committee and determined by the Board, having regard to the Group's operating results, individual performance and prevailing market condition. The emoluments of the Non-Executive Director and Independent Non-Executive Directors are reviewed by the Remuneration Committee and determined by the Board. No Director or any of his or her associates was involved in deciding his or her own remuneration.

Directors' Interest in Competing Business

The interests of the Directors in businesses which compete or are likely to compete, directly or indirectly with the business of the Group during the year were as follows:

Mr. WONG Kin Yip, Freddie has been appointed as Executive Director and Chairman of Midland IC&I since October 2019 and he had interests in Midland IC&I and Ms. WONG Ching Yi, Angela held directorship in Midland IC&I Group. Midland IC&I Group engaged in the businesses of real estate agency, surveying and money lending as the Group.

As the Board of the Company is independent of the board of directors of the above companies and none of the above Directors can control the Board of the Company, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from, the businesses of the above companies.

Save as disclosed above, none of the Directors had an interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group during the year.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, there is sufficient public float of at least 25% of the total number of issued shares of the Company as required under the Listing Rules.

Auditor

The consolidated financial statements of the Group for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers, auditor of the Company, who shall retire and, being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board
Midland Holdings Limited

WONG Kin Yip, Freddie
Chairman
Hong Kong, 30 March 2022

Management Discussion and Analysis

Financial Review

Liquidity and financial resources

The Group mainly finances its business operations with its internal resources and loan facilities from banks.

As at 31 December 2021, the Group had cash and bank balances of HK$1,505,527,000 (2020: HK$940,608,000).

As at 31 December 2021, the interest-bearing bank borrowings of the Group amounted to HK$687,000,000 (2020: HK$228,000,000) and with maturity profile set out as follows:

	2021 HK$'000	2020 HK$'000
Repayable within 1 year	687,000	228,000

As at 31 December 2021, the net gearing ratio of the Group, which is calculated on the basis of net borrowings[1] (total borrowings less cash and bank balances) over the total equity of the Group, maintained at zero per cent (2020: zero per cent). The gross gearing ratio, which is calculated on the basis of total borrowings over the total equity of the Group, is 57.9% (2020: 20.9%). Increase in gross gearing ratio was mainly due to the increase in bank borrowings to meet the short-term funding requirement for the sales of primary residential properties. The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.1 (2020: 1.1). The return on equity, which is the ratio of profit for the year over the total equity of the Group, was 8.45% (2020: 12.10%).

As at 31 December 2021, the Group has unutilised borrowing facilities amounting to HK$2,044,800,000 (2020: HK$2,513,800,000) from various banks. The borrowing facilities were granted to the Group on a floating rate basis. The directors of the Company (the "Directors") will continue to adopt an appropriate financial policy so as to sustain an optimal level of borrowings to meet the Group's funding requirements.

As at 31 December 2021, certain land and buildings and investment properties held by the Group of HK$56,251,000 (2020: HK$57,358,000) and HK$45,390,000 (2020: HK$43,820,000) were pledged to secure banking facilities granted to the Group. Borrowing facilities granted to the Group were also secured, inter alia, by floating charge over certain receivables of the Group with carrying value of approximately HK$3,303,221,000 (2020: HK$2,558,785,000).

The Group's cash and bank balances are denominated in Hong Kong dollars, Renminbi and Macau Pataca and the Group's borrowings are in Hong Kong dollars. No currency hedging tool is used.

The Group's business has been conducted primarily in Hong Kong and its monetary assets and liabilities are mainly denominated in Hong Kong dollars. The Group is exposed to Renminbi exchange rate risk as the assets and liabilities of the Company's PRC subsidiaries are primarily denominated in Renminbi. Individual companies within the Group have limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. The Directors consider that no hedging measure against Renminbi exchange rate exposure is necessary at this stage but will closely monitor its fluctuations.

During the year ended 31 December 2021, the Company repurchased a total of 960,000 of its own shares on the Stock Exchange at an aggregate consideration of HK$1,366,000 (including expense of HK$5,000). These shares were subsequently cancelled.

[1] Net borrowings is zero when the amount of cash and bank balances is more than total borrowings.

Financial Review (Continued)

Contingent liabilities

As at 31 December 2021, the Company executed corporate guarantee of HK$3,123,800,000 (2020: HK$2,823,800,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 31 December 2021, banking facilities of HK$735,429,000 were utilised by these subsidiaries (2020: HK$277,466,000).

Employee information

As at 31 December 2021, the Group employed 6,823 full time employees (2020: 7,176) of which 5,764 were sales agents, 612 were back office supportive employees and 447 were frontline supportive employees.

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.

Independent Auditor's Report

pwc 羅兵咸永道

To the Shareholders of Midland Holdings Limited
(incorporated in Bermuda with limited liability)

Opinion

What we have audited

The consolidated financial statements of Midland Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 78 to 146, comprise:

- the consolidated balance sheet as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition for property agency fees
- Impairment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for property agency fees	
Refer to notes 3(t) and 5(a) to the consolidated financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates. For the year ended 31 December 2021, property agency fees amounted to approximately HK$5,976.3 million, representing 99.6% of the revenues reported by the Group. The entitlement to agency fee income includes an element of consideration that is variable or contingent on the outcome of future events. Actual agency fee income to be received is dependent upon, among others, the completion of transaction between buyers and sellers, price concession based on customary industry practice and payment plans chosen by the buyers. Management estimated the amount of property agency fee income to the extent that it is highly probable taking into consideration of the historical recoverable rates and the risk of fallen through and price concession of individual transactions, that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. We focused on this area because the estimation of the variable consideration is subject to high degree of estimation uncertainty. The inherent risk in relation to the assessment on revenue recognition for property agency fees is considered significant because management has made significant and subjective judgements on selection of method and data.	We obtained an understanding of management's internal control and assessment process of revenue recognition for property agency fee and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. We evaluated and tested the design and operating effectiveness of the key management controls, including the relevant information technology systems, over revenue recognition for property agency fees. We performed retrospective review by comparing previous estimates to actual outcome, and evaluated the outcome of prior period assessment of revenue recognition to assess the effectiveness of management's estimation process. We tested the underlying data, on a sample basis, for the calculation of the historical recoverable rates. We tested, on a sample basis, the variable consideration recognised based on the terms set out in the contracts, the completion status of the transaction and other relevant factors. We also took reference to the general market conditions and management's knowledge about individual contracted parties in evaluating the estimation of variable consideration. Based upon the above procedures performed, we considered that the judgements and estimations made by management on the revenue recognition for property agency fees were supported by available evidence.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables	
Refer to notes 3(i), 4(a)(i) and 5(b) to the consolidated financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates. As at 31 December 2021, the Group had gross trade receivables of approximately HK$3,607.4 million against which a provision for impairment of approximately HK$165.9 million was recognised. The Group applied the HKFRS 9 simplified approach to measure lifetime expected credit losses ("ECLs") allowance for all trade receivables. Management identified trade receivables with impairment indicators with reference to their knowledge about the customers, the completion status of related property transactions and the market conditions, and made impairment provision for these trade receivables accordingly. Management grouped the remaining trade receivables with similar credit risk characteristics and ageing profile, and estimated ECLs rates based on historical credit loss rates for different groups and adjusted to reflect the current and forward-looking information on macroeconomic factors when they are considered relevant to determine the ability of customers to settle the receivables in the future. We focused on this area because the estimation of ECLs involved a significant level of judgement by management to determine the use of internal and external data from various sources to establish the historical credit loss experience and to adjust this experience for expected future changes, recognising that these factors are all subject to a certain level of uncertainty.	We obtained an understanding of management internal control and impairment assessment process of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. We evaluated and validated the key controls performed by management over the impairment assessment process, in particular those over the identification of impaired receivables and the calculation of provisions according to the lifetime ECLs model. We performed retrospective review by comparing previous estimates to actual outcome, and evaluated the outcome of prior period assessment of impairment of trade receivables to assess the effectiveness of management's estimation process. We understood the status of each of the material trade receivables past due as at year end, information about contracted parties and subsequent settlements, if any, through discussion with management. We reviewed, on a sample basis, the impairment provision recognised based on the completion status of the transactions, general market conditions and management's knowledge about individual contracted parties. We tested, on a sample basis, the appropriateness of the grouping of the trade receivables based on the credit risk characteristic assessed by reference to the available market information. We performed testing, on a sample basis, of the accuracy of the trade receivables ageing report. We evaluated management's assessment of loss rate that derived by reference to credit rating analysis and default data with our research result. We evaluated management's assessment of the historical credit loss rates by sample checking inputs in respect of the assumptions made, such as historical payment records, reviewing correspondence on any disputes or claims with the customers and subsequent settlement records. We checked the computation of the amount of provision and evaluated the expected future changes in credit risks in management's assessment by reviewing the inputs to the assumptions to external data sources. Based on the results of the procedures performed, we found management's judgement and assumptions applied in respect of the impairment of trade receivables to be supported by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Lap Yam.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2022

Consolidated Income Statement

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Revenues	6	6,001,432	4,981,920
Other income, net	8	12,227	209,371
Staff costs	9	(2,897,781)	(2,445,231)
Rebate incentives		(1,803,924)	(1,500,477)
Advertising and promotion expenses		(115,942)	(75,679)
Operating lease charges in respect of office and shop premises	17(b)	(54,722)	(62,874)
Amortisation of right-of-use assets	17(b)	(575,928)	(591,686)
Depreciation of property and equipment	16	(52,687)	(50,301)
Net impairment losses on financial assets		(79,761)	(27,631)
Other operating costs	11	(281,956)	(267,669)
Operating profit		150,958	169,743
Bank interest income	12	206	471
Interest on bank loans and overdrafts	12	(12,868)	(12,213)
Interest on lease liabilities	12	(17,205)	(21,885)
Share of results of joint ventures	19	22,915	17,650
Share of results of associates	20	–	(3,744)
Profit before taxation		144,006	150,022
Taxation	13	(43,793)	(18,168)
Profit for the year attributable to equity holders		100,213	131,854
Dividend	14	–	363,040
		HK cents	HK cents
Earnings per share	15		
Basic		13.96	18.36
Diluted		13.95	18.36

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Profit for the year attributable to equity holders	100,213	131,854
Other comprehensive income/(loss)		
Item that will not be reclassified to profit or loss		
Fair value gains/(losses) on financial assets at fair value through other comprehensive income	723	(35)
Item that may be reclassified to profit or loss		
Currency translation differences	(2,879)	(6,212)
Other comprehensive loss for the year, net of tax	(2,156)	(6,247)
Total comprehensive income for the year attributable to equity holders, net of tax	98,057	125,607

Consolidated Balance Sheet

As at 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property and equipment	16	161,902	154,303
Right-of-use assets	17	726,498	548,787
Investment properties	18	75,341	73,701
Interests in joint ventures	19	41,158	35,818
Financial assets at fair value through other comprehensive income	21	2,038	3,701
Deferred tax assets	27	11,731	12,060
Loan receivables	22	2,385	881
		1,021,053	829,251
Current assets			
Trade and other receivables	23	3,803,541	3,154,088
Taxation recoverable		410	8,333
Loan receivables	22	22,196	96,258
Short-term bank deposits	24	–	2,454
Cash and cash equivalents	24	1,505,527	938,154
		5,331,674	4,199,287
Total assets		6,352,727	5,028,538
EQUITY AND LIABILITIES			
Equity holders			
Share capital	25	71,709	71,805
Share premium	25	222,235	223,505
Reserves	26	892,252	794,095
Total equity		1,186,196	1,089,405
Non-current liabilities			
Deferred tax liabilities	27	8,948	7,809
Lease liabilities	17	313,418	209,960
		322,366	217,769
Current liabilities			
Trade and other payables	28	3,594,539	3,031,746
Borrowings	29	687,000	228,000
Lease liabilities	17	533,315	459,910
Taxation payable		29,311	1,708
		4,844,165	3,721,364
Total liabilities		5,166,531	3,939,133
Total equity and liabilities		6,352,727	5,028,538

The consolidated financial statements on pages 78 to 146 were approved by the Board of Directors on 30 March 2022 and were signed on its behalf.

WONG Ching Yi, Angela
Director

WONG Tsz Wa, Pierre
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital HK$'000	Share premium HK$'000	Reserves HK$'000 (note 26)	Total HK$'000
At 1 January 2021	71,805	223,505	794,095	1,089,405
Comprehensive income				
Profit for the year	–	–	100,213	100,213
Other comprehensive income				
Fair value gains on financial assets at fair value through other comprehensive income	–	–	723	723
Currency translation differences	–	–	(2,879)	(2,879)
Total comprehensive income	–	–	98,057	98,057
Transaction with owners				
Employee share option scheme				
– value of employee services	–	–	100	100
Cancellation of shares repurchased (note 25)	(96)	(1,270)	–	(1,366)
	(96)	(1,270)	100	(1,266)
At 31 December 2021	71,709	222,235	892,252	1,186,196
At 1 January 2020	71,805	223,505	1,029,324	1,324,634
Comprehensive income				
Profit for the year	–	–	131,854	131,854
Other comprehensive loss				
Fair value losses on financial assets at fair value through other comprehensive income	–	–	(35)	(35)
Currency translation differences	–	–	(6,212)	(6,212)
Total comprehensive income	–	–	125,607	125,607
Transaction with owners				
Employee share option scheme				
– value of employee services	–	–	2,204	2,204
Distribution in specie (note 14)	–	–	(363,040)	(363,040)
	–	–	(360,836)	(360,836)
At 31 December 2020	71,805	223,505	794,095	1,089,405

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Net cash generated from operations	30	786,780	688,881
Hong Kong profits tax (paid)/refunded		(6,801)	12,458
Overseas taxation paid		–	(876)
Bank loan and overdrafts interest paid		(12,868)	(12,213)
Interest element of lease payments		(17,205)	(21,885)
Net cash generated from operating activities		749,906	666,365
Cash flows from investing activities			
Purchase of property and equipment	16	(65,341)	(60,049)
Proceeds from disposal of property and equipment		160	5
Return of capital from financial assets at fair value through other comprehensive income		2,386	1,064
Decrease/(increase) in bank deposits with maturities over three months from date of deposits		2,454	(194)
Bank interest received		206	471
Dividend received from a joint venture	19	17,575	27,653
Net cash used in investing activities		(42,560)	(31,050)
Cash flows from financing activities			
Purchase of own shares	25	(1,366)	–
Principal element of lease payments		(599,884)	(595,943)
Repayment of bank loans		(8,546,500)	(5,513,400)
Proceeds from bank loans		9,005,500	5,252,400
Net cash used in financing activities		(142,250)	(856,943)
Net increase/(decrease) in cash and cash equivalents		565,096	(221,628)
Cash and cash equivalents at 1 January		938,154	1,149,428
Exchange differences		2,277	10,354
Cash and cash equivalents at 31 December	24	1,505,527	938,154

Notes to the Consolidated Financial Statements

1 General information

Midland Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda and listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda 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 Company and its subsidiaries (together, the “Group”) are the provision of property agency services in Hong Kong, the People’s Republic of China (the “PRC”) and Macau, property leasing, immigration consultancy services and money lending services.

These consolidated financial statements have been approved by the board of directors (the “Board”) on 30 March 2022.

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 (“HKICPA”) 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 and financial assets at fair value through other comprehensive income, which are carried at fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5 below.

(a) New standards, interpretation and amendments effective in 2021

The adoption of the new or revised standards, interpretation and amendments does not have a material impact on the Group’s results of operations or financial position.

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

The Group has not early applied the new or revised standards, interpretation and amendments that have been issued but not yet effective. The adoption of these new or revised standards, interpretation and amendments is not expected to have a material impact on the Group’s results of operation or financial position.

3 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Consolidation

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries made up to 31 December.

(i) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised loss is also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

3 Summary of significant accounting policies (Continued)

(a) Consolidation (Continued)

(ii) Separate financial statements

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

(iii) Joint ventures

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iv) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

3 Summary of significant accounting policies (Continued)

(a) Consolidation (Continued)

(iv) Associates (Continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company (the "Executive Directors") that make strategic decisions.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the consolidated income statement, and other changes in the carrying amount are recognised in other comprehensive income.

3 Summary of significant accounting policies (Continued)

(c) Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as at fair value through other comprehensive income are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are taken to equity. When a foreign operation is partially disposed or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the exchange rate at the balance sheet date.

(d) Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

3 Summary of significant accounting policies (Continued)

(d) Property and equipment (Continued)

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets are calculated using the straight-line method to allocate their costs or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land	Over the period of the lease
Buildings	50 years
Leasehold improvements	Over the period of the lease
Furniture and fixtures	4 years
Office equipment	4 years
Motor vehicles	4 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

Gain and loss on disposals are determined by comparing proceeds with carrying amount and are recognised within other operating costs, in the consolidated income statement.

(e) Investment properties

Property that is held for long-term rental yield or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value, representing estimated open market value determined at each reporting date by qualified valuers. The market value of each property is calculated on the discounted net rental income allowing for reversionary potential. Changes in fair values are recognised in the consolidated income statement as part of other income.

3 Summary of significant accounting policies (Continued)

(e) Investment properties (Continued)

Subsequent expenditure is charged to the carrying amount of the property only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

If a property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this property at the date of transfer is recognised in equity as a revaluation of property and equipment. However, if a fair value gain reverses a previous impairment, the gain is recognised in the consolidated income statement.

(f) Impairment of investments in joint ventures and non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets that suffered an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

Impairment testing of the investments in joint ventures is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the joint venture in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3 Summary of significant accounting policies (Continued)

(g) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

– those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and

– those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

3 Summary of significant accounting policies (Continued)

(g) Investments and other financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

– amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

– FVOCI: assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

– FVPL: assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3 Summary of significant accounting policies (Continued)

(g) Investments and other financial assets (Continued)

(iv) Impairment

The group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(i) Impairment of financial assets

The Group assesses the loss allowance for expected credit loss ("ECL") on trade receivables, other receivables, deposits and loan receivables. Financial assets measured at fair value through other comprehensive income (non-recycling) are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses.

ECLs are measured on lifetime basis that these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Loss allowances for trade receivables and loan receivables are individually assessed when there is objective evidence that they are impaired. For the remaining trade receivables which no objective evidence is available, loss allowances are measured at an amount equal to lifetime ECLs. ECLs are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other receivables, deposits and loan receivables, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial assets since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

3 Summary of significant accounting policies (Continued)

(j) Trade and other receivables

Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less credit loss and provision for impairment.

See note 23 for further information about the Group's accounting for trade receivables and note 4 for a description of the Group's impairment policies.

(k) Loan receivables

Loan receivables are loans to employees and property mortgage loans granted to customers. If collection of loan receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Loan receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, cashier orders, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(m) Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

3 Summary of significant accounting policies (Continued)

(p) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

(q) Taxation

The current taxation charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current taxation against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(r) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

3 Summary of significant accounting policies (Continued)

(r) Employee benefits (Continued)

(ii) Retirement scheme obligations

Contributions to defined contribution retirement schemes which are available to all employees, calculated at rates specified in the rules of the schemes, are charged to the consolidated income statement when the contributions are payable to the fund.

(iii) Share-based payment

Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the profit or loss account, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

3 Summary of significant accounting policies (Continued)

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(t) Revenue recognition

Income is classified by the Group as revenue when it arises from the provision of property agency services, immigration consultancy services, money lending services or the use by others of the Group's assets under leases in the ordinary course of the activities of the Group.

Revenue excludes value added taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Agency fee from property agency business

Agency fee from property agency business is recognised when the services are rendered which is generally the time when the transacting parties first come into an agreement.

Revenue is the estimated total consideration, including an estimate of variable consideration, received in exchange for the provision of property agency services rendered.

The estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable taking into consideration of the risk of fallen through, price concession based on customary industry practice and payment plans chosen by the buyers, that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(ii) Revenue from immigration consultancy services

Revenue from immigration consultancy services is recognised on a success basis, i.e. when the relevant application for immigration is approved.

3 Summary of significant accounting policies (Continued)

(t) Revenue recognition (Continued)

(iii) Income from operating leases

Operating lease rental income is recognised on a straight-line basis.

(iv) Income from web advertising and other services income

Web advertising income and other services income including income from property valuation, other advertising and referral services are recognised when services are rendered.

(v) Interest income from loan receivables and bank interest income

Interest income from loan receivables and bank interest income are recognised on a time proportion basis using the effective interest method.

(u) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profits or loss over the period necessary to match them with the costs that they are intended to compensate.

(v) Leases

The Group leases various properties including offices and shop premises. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and the corresponding liabilities at the dates at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for lease of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single component.

3 Summary of significant accounting policies (Continued)

(v) Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally amortised over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

3 Summary of significant accounting policies (Continued)

(v) Leases (Continued)

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

Lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of its original terms and conditions. After the commencement date, the Group remeasures the lease liability to reflect any lease modification using the interest rate implicit in the lease for the remainder of the lease term. If that rate cannot be determined, the lessee's incremental borrowing rate at the effective date of the lease modification is used. The Group adjusts the carrying amount of the right-of-use asset for the remeasurement of the lease liability. If the carrying amount of the right-of-use asset has already been reduced to zero and there is a further reduction in the remeasurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

(w) Dividend distribution

Dividend distribution is recognised as a liability in the consolidated financial statements in the financial period in which the dividends are approved by the shareholders or directors, as appropriate and no longer at the discretion of the entity.

For distribution of non-cash assets to the owner, the Company measures a liability at the fair value of the non-cash assets to be distributed. In the settlement of the liability, the difference between the fair value of the non-cash assets and their carrying amounts is recognised in profit or loss.

(x) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

4 Financial risk management

(a) Financial risk factors

The Group's activities expose it to credit risk, foreign exchange risk, cash flow and fair value interest rate risk and liquidity risk. The overall risk management programme of the Group focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(i) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, short-term bank deposits, loan receivables and trade and other receivables. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

Risk management

To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual loan receivable and trade receivable by taking into account of the market conditions, customers' profiles, value of the collaterals and contractual terms to ensure that adequate impairment is made for the irrecoverable amounts.

For loan receivables, the Group mitigates credit risk by credit protection provided by collaterals such as properties located in Hong Kong and/or by guarantors against loan receivables and interest receivable. Individual risk limits are set based on the value of collaterals provided by customers and internal or external ratings in accordance with limits set by the management.

Impairment of financial assets

The Group's loan receivables and trade receivables are subject to the expected credit loss model. While cash and cash equivalents, short-term bank deposits and other financial assets at amortised cost are also subject to the impairment requirements of HKFRS 9 "Financial Instruments", the identified impairment loss was immaterial.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

Loan receivables

The Group applies the HKFRS 9 general approach to measure expected credit losses for loan receivables.

To measure the expected credit losses, the Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

– internal credit rating

– external credit rating (as far as available)

– actual or expected significant changes in the operating results of the borrower

– significant increases in credit risk on other financial instruments of the same borrower

– significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

Majority of the loan receivables consist of first charge mortgage on real estate in Hong Kong. The loan-to-value ratio, which is calculated as the carrying amount of the loan at the balance sheet date as a percentage of the estimated current market value of collateral, ranges from 36% to 71% (2020: 22% to 92%) as at year end. Valuations are updated on a regular basis and more frequently when market conditions are subject to significant change or where a loan is identified and assessed as impaired.

To measure the expected credit loss, the Group considers the probability of default and fair value of the collateral less cost of disposal and management considers the expected credit loss is close to zero.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

Trade receivables

The Group's trade receivables have been grouped into categories for shared credit risk characteristics:

– primary properties market transactions

– other transactions

For trade receivables from primary properties market transactions, the counterparties are primarily property developers. The management assesses the ECL with reference to the background and liquidity of the property developers as well as the forecast direction of conditions of the reporting date.

When there is an impairment indicator from property developers for primary properties market transactions, the loss allowances for these trade receivables is assessed based on the expected value of the trade receivable balance or the expected loss rates that derived by reference to credit rating analysis and external default data with appropriate forward looking adjustment, if any. The loss allowances are measured at an amount equal to lifetime expected credit losses.

As at 31 December 2021, the Group recognised loss allowance of HK$86,321,000 (2020: nil) in respect of trade receivables from primary properties market transactions.

For trade receivables from other transactions, the counterparties are primarily individuals. When there is an objective evidence that the individual trade receivable is impaired, the loss allowances for these trade receivables is assessed and measured at an amount equal to lifetime expected credit losses.

For the remaining trade receivables from other transactions with no objective evidence available without undue cost to measure the lifetime expected credit loss, the Group applies the HKFRS 9 simplified approach to measure expected credit losses for these trade receivables collectively which uses a lifetime expected loss allowance.

To measure the expected credit losses, these trade receivables have been grouped based on the days past due. The expected loss rates are based on the latest completed historical payment profile of sales over a period of 12 months and the corresponding historical credit losses experienced within that period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, if any.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

Trade receivables (Continued)

On these bases, the loss allowances for these trade receivables as at the end of the reporting periods were determined as follows:

As at 31 December 2021

			Loss allowance		
	Expected loss rate %	Gross carrying amount HK$'000	Individually assessed HK$'000	Collectively assessed HK$'000	Total HK$'000
Current (not yet due)	0.2%-20.9%	3,408,290	(73,823)	(1,908)	(75,731)
Less than 30 days past due	0.2%-7.8%	49,205	(3,878)	(76)	(3,954)
31-60 days past due	0.1%-23.3%	17,894	(930)	(349)	(1,279)
61-90 days past due	0.2%-40.8%	13,319	(838)	(569)	(1,407)
More than 90 days past due	10.1%-60.8%	118,646	(80,547)	(2,982)	(83,529)
		3,607,354	(160,016)	(5,884)	(165,900)

As at 31 December 2020

			Loss allowance		
	Expected loss rate %	Gross carrying amount HK$'000	Individually assessed HK$'000	Collectively assessed HK$'000	Total HK$'000
Current (not yet due)	0.3%-22.5%	2,700,696	(2,139)	(12,371)	(14,510)
Less than 30 days past due	0.5%-5.6%	60,769	(584)	(333)	(917)
31-60 days past due	1.3%-19.0%	22,688	(112)	(287)	(399)
61-90 days past due	1.4%-28.9%	9,446	(151)	(322)	(473)
More than 90 days past due	21.5%-100%	110,520	(91,431)	(483)	(91,914)
		2,904,119	(94,417)	(13,796)	(108,213)

Note: The customers are obliged to settle the amounts due upon the completion of or pursuant to the terms and conditions of the agreements.

The loss allowance provided for trade receivables not yet due includes the credit risk arising from bad debts and fallen through transactions.

The loss allowance provided for overdue trade receivables includes only the credit risk arising from bad debts.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

Trade receivables (Continued)

Movements in the provision for impairment of trade receivables are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	108,213	96,909
Increase in provision for impairment recognised in profit or loss during the year	79,761	27,631
Receivables written off during the year as uncollectible	(23,750)	(18,863)
Exchange differences	1,676	2,536
At 31 December	165,900	108,213

Trade receivables are written off when there is no reasonable expectation of recovery.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

For other financial assets at amortised cost, including deposits and other receivables, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month ECLs which is close to zero.

Impairment losses on other financial assets at amortised cost are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not have a foreign currency hedging policy and has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The Group has foreign currency transactions, which are denominated mainly in Renminbi ("RMB") which is different from the functional currency of the transacting entity and accordingly, expose the Group to foreign currency exchange risk.

At the balance sheet date, if HK$ had weakened or strengthened by 5% (2020: 5%) against RMB with all other variables held constant, the Group's profit after taxation would have been approximately HK$14,944,000 (2020: HK$11,857,000) lower or higher and other comprehensive income would have been approximately HK$21,599,000 (2020: HK$17,649,000) lower or higher.

(iii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits held at variable rates.

At the balance sheet date, the interest rate risk of the Group is considered to be insignificant.

(iv) Liquidity risk

The Group maintains its own treasury function (the "Group Finance") to monitor the current and expected liquidity requirements and aims to maintain flexibility by keeping sufficient cash and cash equivalents generated from operations and draw down of borrowings. Cash flow forecast is performed in the operating entities of the Group and aggregated by the Group Finance. The Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient head-room on its undrawn facilities (note 29) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

Surplus cash held by the operating entities over and above the balance required for working capital management are transferred to the Group Finance. The Group Finance invests surplus cash in interest bearing time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room for the Group to meet the liquidity requirements. At 31 December 2021, the Group held cash and bank balances of HK$1,505,527,000 (2020: HK$940,608,000).

4 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities based on undiscounted cash flows and the earliest date the Group can be required to pay. Specifically, for the bank loan which contains a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loan with immediate effect. Balances due within twelve months equal their carrying balances (including both interest and principal) as the impact of discounting is not significant.

	On demand HK$'000	Less than 1 year HK$'000	1-5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2021					
Trade and other payables	–	3,594,539	–	3,594,539	3,594,539
Borrowings	687,074	–	–	687,074	687,000
Lease liabilities	–	544,622	317,685	862,307	846,733
	687,074	4,139,161	317,685	5,143,920	5,128,272
At 31 December 2020					
Trade and other payables	–	3,031,746	–	3,031,746	3,031,746
Borrowings	228,202	–	–	228,202	228,000
Lease liabilities	–	470,986	214,788	685,774	669,870
	228,202	3,502,732	214,788	3,945,722	3,929,616

4 Financial risk management (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity attributable to the equity holders and borrowings. In order to maintain or adjust the capital structure, the Group will consider macroeconomic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may adjust the amount of dividend paid to shareholders, repurchase of shares from shareholders or raise funding through borrowings as necessary.

The Group monitors capital on the basis of the gearing ratio and the current ratio.

The gross gearing ratio is calculated as total borrowings divided by total equity. The gross gearing ratios at 31 December 2021 and 2020 were as follows:

	2021 HK$'000	2020 HK$'000
Total borrowings	687,000	228,000
Total equity	1,186,196	1,089,405
Gross gearing ratio	57.9%	20.9%

The net gearing ratio is calculated as net borrowings, total borrowings less cash and bank balances, divided by total equity. Net borrowings is zero when the cash and bank balances is more than total borrowings.

	2021	2020
Net gearing ratio	0%	0%

The current ratio of the Group, which represents a ratio of current assets over current liabilities, at 31 December 2021 and 2020 were as follows:

	2021 HK$'000	2020 HK$'000
Current assets	5,331,674	4,199,287
Current liabilities	4,844,165	3,721,364
Current ratio	1.1	1.1

The current ratio of the Group is maintained at a stable level.

4 Financial risk management (Continued)

(c) Fair value estimation

The carrying amounts of the financial assets of the Group, including cash and cash equivalents, short-term bank deposits, trade and other receivables, loan receivables and financial assets at FVOCI; and financial liabilities including trade and other payables and borrowings approximate their fair values due to their short-term maturities.

The financial instruments are measured in the consolidated balance sheet at fair value, by level of the following fair value measurement hierarchy:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following tables present the Group's financial instruments that are measured at fair value:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 December 2021				
Assets				
Financial assets at FVOCI	–	2,038	–	2,038
As at 31 December 2020				
Assets				
Financial assets at FVOCI	–	3,701	–	3,701

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as quoted market prices or dealer quotes for similar instruments, or discounted cash flow analysis. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between levels 1, 2 and 3 during the year.

The fair value estimation of investment properties is disclosed in note 18 to the consolidated financial statements.

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgements in applying the Group's accounting policies, and estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Revenue recognition

Management reviews sales transactions to determine whether it is probable that future economic benefits arising from the sales transactions would flow to the Group taking into account the variable consideration in the transaction price.

Variable consideration comprises the variable amount of the consideration in exchange for transferring the promised goods or services to a customer that is contingent on the occurrence or non-occurrence of a future event. Under HKFRS 15 "Revenue from Contracts with Customers", the Group is required to estimate the amount of consideration to which it will be entitled from the provision of property agency services. The estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable taking into consideration of the risk of fallen through and price concession based on customary industry practice, that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(b) Impairment of financial assets

Management reviews regularly the recoverable amount of each individually significant trade receivable and loan receivable to ensure that adequate impairment is made for the irrecoverable amounts. The measurement of impairment losses under HKFRS 9 requires judgement, in particular, management assesses the recoverable amount of each individually significant trade receivable and loan receivable whether there is objective evidence that the receivable is impaired. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtors and the local economic conditions that correlate with the potential risk of impairment on the transactions. For the remaining trade receivables, generally not arising from primary properties market transactions and having no objective evidence of impairment, the impairment is assessed based on the latest completed historical payment profile of sales over a period of 12 months and the corresponding historical credit losses experienced within that period.

Management reassesses the provision for impairment at each balance sheet date.

(c) Fair value of investment properties

The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions used in the valuation have been disclosed in note 18 to the consolidated financial statements.

5 Critical accounting estimates and judgements (Continued)

(d) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred taxation relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and liabilities in the periods in which such estimate is changed.

(e) Lease term

Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including but not limited to the costs and business disruption required to replace the leased asset.

(f) Impairment of right-of-use assets and property and equipment

Internal and external sources of information are reviewed at the end of each reporting period to assess whether there is any indication that right-of-use assets and property and equipment may be impaired. If any such indication exists, the recoverable amount of the right-of-use assets and other property and equipment is estimated. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and may revise estimates of recoverable amounts, which would affect profit or loss in future years.

6 Revenues

	2021 HK$'000	2020 HK$'000
Revenues from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
– Agency fee	5,976,276	4,959,590
– Immigration consultancy services	12,117	5,773
– Web advertising	1,048	1,381
– Other services	3,413	3,098
	5,992,854	4,969,842
Revenues from other sources		
– Rental income	3,138	3,279
– Interest income from loan receivables	5,440	8,799
Total revenues	6,001,432	4,981,920

7 Segment information

The chief operating decision-makers have been identified as 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 comprising the property agency businesses for residential, commercial and industrial properties and shops, and other businesses which mainly include property leasing, immigration consultancy services, money lending services and mortgage referral services. The Group's businesses are principally located in Hong Kong, the PRC and Macau.

	Year ended 31 December 2021			
	Property agency			
	Residential properties HK$'000	Commercial and industrial properties and shops HK$'000	Others HK$'000	Total HK$'000
Segment revenues	5,879,786	96,490	32,824	6,009,100
Inter-segment revenues	–	–	(7,668)	(7,668)
Revenues from external customers	5,879,786	96,490	25,156	6,001,432
Timing of revenue recognition				
– At a point in time	5,879,786	96,490	3,413	5,979,689
– Over time	–	–	13,165	13,165
Rental income	–	–	3,138	3,138
Interest income from loan receivables	–	–	5,440	5,440
	5,879,786	96,490	25,156	6,001,432
Segment results	186,036	(14,764)	31,926	203,198
Amortisation of right-of-use assets	(573,141)	(2,787)	–	(575,928)
Depreciation of property and equipment	(50,253)	(1,233)	(737)	(52,223)
Net impairment losses on financial assets	(67,546)	(12,215)	–	(79,761)
Share of results of joint ventures	–	–	22,915	22,915
Fair value gains on investment properties	–	–	919	919
Impairment losses on right-of-use assets	(16,658)	(5,191)	–	(21,849)
Impairment losses on property and equipment	(3,566)	(1,138)	–	(4,704)
Additions to property and equipment	63,318	1,985	38	65,341

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

7 Segment information (Continued)

	Year ended 31 December 2020			
	Property agency			
	Residential properties HK$'000	Commercial and industrial properties and shops HK$'000	Others HK$'000	Total HK$'000
Segment revenues	4,895,565	64,025	29,998	4,989,588
Inter-segment revenues	–	–	(7,668)	(7,668)
Revenues from external customers	4,895,565	64,025	22,330	4,981,920
Timing of revenue recognition				
– At a point in time	4,895,565	64,025	3,098	4,962,688
– Over time	–	–	7,154	7,154
Rental income	–	–	3,279	3,279
Interest income from loan receivables	–	–	8,799	8,799
	4,895,565	64,025	22,330	4,981,920
Segment results	6,282	(30,078)	22,990	(806)
Amortisation of right-of-use assets	(585,592)	(6,094)	–	(591,686)
Depreciation of property and equipment	(47,945)	(1,157)	(735)	(49,837)
Net impairment losses on financial assets	(27,083)	(548)	–	(27,631)
Share of results of joint ventures	–	–	17,650	17,650
Share of results of associates	–	(3,744)	–	(3,744)
Fair value losses on investment properties	–	–	(5,998)	(5,998)
Impairment losses on right-of-use assets	(35,921)	(11,394)	–	(47,315)
Impairment losses on property and equipment	(589)	(187)	–	(776)
Additions to property and equipment	59,030	883	136	60,049

Note: The share of results and interests in joint ventures mainly represent the financial information of mReferral Corporation Limited and its subsidiaries ("mReferral Group") that are material to the Group. Please refer to note 19 for the summarised financial information.

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, government subsidy, loss on disposal of associates, bank interest income, interest on bank loans and overdrafts, 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.

7 Segment information (Continued)

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

	2021 HK$'000	2020 HK$'000
Segment results for reporting segments	203,198	(806)
Corporate expenses	(46,530)	(46,673)
Government subsidy (note 8)	–	210,798
Loss on disposal of associates (note 20)	–	(1,555)
Bank interest income	206	471
Interest on bank loans and overdrafts	(12,868)	(12,213)
Profit before taxation per consolidated income statement	144,006	150,022

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation and financial assets at fair value through other comprehensive income, all of which are managed on a central basis. Set out below is an analysis of assets and liabilities by reporting segments:

	As at 31 December 2021			
	Property agency			
	Residential properties HK$'000	Commercial and industrial properties and shops HK$'000	Others HK$'000	Total HK$'000
Segment assets	5,343,963	29,938	164,008	5,537,909
Segment assets include:				
Interests in joint ventures	–	–	41,158	41,158
Segment liabilities	4,376,449	58,311	21,100	4,455,860

7 Segment information (Continued)

	As at 31 December 2020			
	Property agency			
	Residential properties HK$'000	Commercial and industrial properties and shops HK$'000	Others HK$'000	Total HK$'000
Segment assets	4,058,803	39,249	227,552	4,325,604
Segment assets include:				
Interests in joint ventures	–	–	35,818	35,818
Segment liabilities	3,614,968	50,758	25,112	3,690,838

Reportable segment assets are reconciled to total assets as follows:

	2021 HK$'000	2020 HK$'000
Segment assets	5,537,909	4,325,604
Corporate assets	801,049	687,173
Deferred tax assets	11,731	12,060
Financial assets at fair value through other comprehensive income	2,038	3,701
Total assets per consolidated balance sheet	6,352,727	5,028,538

Reportable segment liabilities are reconciled to total liabilities as follows:

	2021 HK$'000	2020 HK$'000
Segment liabilities	4,455,860	3,690,838
Corporate liabilities	701,723	240,486
Deferred tax liabilities	8,948	7,809
Total liabilities per consolidated balance sheet	5,166,531	3,939,133

7 Segment information (Continued)

Geographical information:

	2021 HK$'000	2020 HK$'000
Revenues from external customers		
Hong Kong and Macau	5,348,828	4,281,217
PRC	652,604	700,703
	6,001,432	4,981,920

Revenues are attributed to locations where the transactions took place.

8 Other income, net

	2021 HK$'000	2020 HK$'000
Fair value gains/(losses) on investment properties (note 18)	919	(5,998)
Loss on disposal of associates (note 20)	–	(1,555)
Government subsidy	–	210,798
Others	11,308	6,126
	12,227	209,371

Subsidy received under the Employment Support Scheme during the year ended 31 December 2020 of HK$207,336,000 was included in the government subsidy. There were no unfulfilled conditions or other contingencies attaching to the grants.

9 Staff costs, including directors' emoluments

	2021 HK$'000	2020 HK$'000
Salaries and allowances	991,689	837,362
Commissions	1,836,339	1,537,867
Pension costs for defined contribution plans	69,653	67,798
Share-based benefits	100	2,204
	2,897,781	2,445,231

The Group participates in a mandatory provident fund ("MPF") scheme which is available to eligible employees of the Group, including the Executive Directors. Contributions to the MPF scheme by the Group and the employees are calculated at rates specified in the rules of the MPF scheme. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund.

The cost of the MPF scheme charged to the consolidated income statement represents contributions paid and payable by the Group to the fund.

The Group's contributions to the MPF scheme for its employees are fully and immediately vested in the employees once the contributions are made. Accordingly, there are no forfeited contributions under the MPF scheme that may be used by the Group to reduce the existing level of contributions.

9 Staff costs, including directors' emoluments (Continued)

The Group also contributes to employee retirement schemes established by municipal governments in respect of certain subsidiaries in the PRC. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated income statement as incurred.

10 Benefit and interest of directors and five highest paid individuals

(a) Benefit and interest of directors

The remuneration of each director for the year ended 31 December 2021 is set out below:

Name of director	Fees HK$'000	Salaries and allowances HK$'000	Performance incentive*/ discretionary bonus HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Directors					
Mr. WONG Kin Yip, Freddie (Chairman)	200	10,185	–	–	10,385
Ms. WONG Ching Yi, Angela	200	8,455	4,009	18	12,682
Mr. WONG Tsz Wa, Pierre	200	8,875	2,546	18	11,639
Mr. CHEUNG Kam Shing	200	1,680	136	18	2,034
	800	29,195	6,691	54	36,740
Non-Executive Director					
Mr. WONG Wing Cheung Dennis (resigned with effect from 28 November 2021)	236	–	–	–	236
	236	–	–	–	236
Independent Non-Executive Directors					
Mr. HO Kwan Tat, Ted	260	–	–	–	260
Mr. SUN Tak Chiu	260	–	–	–	260
Mr. WONG San	260	–	–	–	260
	780	–	–	–	780
	1,816	29,195	6,691	54	37,756

In addition to the directors' emoluments disclosed above, the estimated value of share options granted by the Company to Mr. WONG Kin Yip, Freddie and Ms. WONG Ching Yi, Angela amounted to HK$50,000 and HK$50,000 (2020: HK$1,102,000 and HK$1,102,000) respectively. Including the estimated value of share options granted, total remuneration of Mr. WONG Kin Yip, Freddie and Ms. WONG Ching Yi, Angela for the year ended 31 December 2021 amounted to HK$10,435,000 and HK$12,732,000 (2020: HK$10,169,000 and HK$12,720,000) respectively.

10 Benefit and interest of directors and five highest paid individuals (Continued)

(a) Benefit and interest of directors (Continued)

The remuneration of each director for the year ended 31 December 2020 is set out below:

Name of director	Fees HK$'000	Salaries and allowances HK$'000	Performance incentive*/ discretionary bonus HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Directors					
Mr. WONG Kin Yip, Freddie (Chairman)	200	8,867	–	–	9,067
Ms. WONG Ching Yi, Angela	200	6,944	4,456	18	11,618
Mr. WONG Tsz Wa, Pierre	200	8,890	3,956	18	13,064
Mr. CHEUNG Kam Shing	200	1,753	151	18	2,122
	800	26,454	8,563	54	35,871
Non-Executive Director					
Mr. WONG Wing Cheung Dennis	260	–	–	–	260
	260	–	–	–	260
Independent Non-Executive Directors					
Mr. HO Kwan Tat, Ted	260	–	–	–	260
Mr. SUN Tak Chiu	260	–	–	–	260
Mr. WONG San	260	–	–	–	260
	780	–	–	–	780
	1,840	26,454	8,563	54	36,911

* Performance incentive is determined based on performance of profit targets.

10 Benefit and interest of directors and five highest paid individuals (Continued)

(a) Benefit and interest of directors (Continued)

(i) Directors' emoluments

None of the directors waived or agreed to waive any emoluments during the year ended 31 December 2021.

During the year ended 31 December 2020, all the executive directors of the Company waived part of their emoluments.

The emoluments waived by each executive director were set out below:

	HK$'000
Mr. WONG Kin Yip, Freddie (Chairman)	982
Ms. WONG Ching Yi, Angela	365
Mr. WONG Tsz Wa, Pierre	453
Mr. CHEUNG Kam Shing	15
	1,815

No other director waived or agreed to waive any emoluments during the year ended 31 December 2020.

No incentive payment for joining the Group was paid or payable to any director during the year ended 31 December 2021 (2020: nil).

(ii) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2020: nil).

(iii) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2021, the Group did not pay consideration to any third parties for making available directors' services (2020: nil).

(iv) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by and entities connected with such directors

As at 31 December 2021, there are no loans, quasi-loans and other dealing arrangements in favour of directors, bodies corporate controlled by and entities connected with such directors (2020: nil).

(v) Directors' material interests in transactions, arrangements or contracts

Saved as disclosed in note 34, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

10 Benefit and interest of directors and five highest paid individuals (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest for the year include three (2020: three) directors whose emoluments are reflected in the analysis shown in note 10(a). The emoluments payable to the remaining two (2020: two) individuals during the year are as follows:

	2021 HK$'000	2020 HK$'000
Salaries and allowances	1,221	1,961
Performance related bonus/discretionary bonus	15,918	11,017
Retirement benefit costs	36	36
	17,175	13,014

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
HK$5,000,001 – HK$5,500,000	–	1
HK$7,500,001 – HK$8,000,000	1	1
HK$9,000,001 – HK$9,500,000	1	–
	2	2

11 Other operating costs

The major other operating costs are as follows:

	2021 HK$'000	2020 HK$'000
Direct operating expenses arising from investment properties that:		
– generated rental income	151	149
– did not generate rental income	32	32
Office and branch operating expenses (remark)	134,970	114,934
Government rent and rates, building management fee of leased properties	48,720	47,690
Legal and professional fees	9,401	10,276
Staff recruitment, training and welfare	7,415	8,934
Insurance expenses	15,924	12,914
Bank charges	24,380	19,437
Impairment losses on right-of-use assets (note 17 (b))	21,849	47,315
Impairment losses on property and equipment (note 17(b))	4,704	776
Loss on disposal of property and equipment	558	181
Net foreign exchange gains	(487)	(900)
Donations	1,483	1,223
Auditor's remuneration		
– audit services	2,974	3,130
– interim results review	573	573

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

12 Finance income and costs

	2021 HK$'000	2020 HK$'000
Finance income		
Bank interest income	206	471
Finance costs		
Interest on bank loans and overdrafts	(12,868)	(12,213)
Interest on lease liabilities (note 17(b))	(17,205)	(21,885)
	(30,073)	(34,098)
Finance costs, net	(29,867)	(33,627)

13 Taxation

	2021 HK$'000	2020 HK$'000
Current taxation		
Hong Kong profits tax	43,161	6,979
Overseas	(836)	234
Deferred taxation (note 27)	1,468	10,955
	43,793	18,168

The provision for Hong Kong profits tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits 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 2020.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2021 HK$'000	2020 HK$'000
Profit before taxation	144,006	150,022
Less: share of results of joint ventures	(22,915)	(17,650)
share of results of associates	–	3,744
	121,091	136,116
Calculated at a taxation rate of 16.5% (2020: 16.5%)	19,980	22,459
Effect of different taxation rates in other countries	(12,296)	(8,206)
Income not subject to taxation	(684)	(34,421)
Expenses not deductible for taxation purposes	1,902	2,044
Utilisation of previously unrecognised tax losses	(1,178)	(22)
Tax losses not recognised	37,710	38,905
Other temporary differences not recognised	(611)	(2,008)
Others	(1,030)	(583)
Taxation charge	43,793	18,168

14 Dividend

	2021 HK$'000	2020 HK$'000
Interim dividend by way of distribution in specie (note 20)	–	363,040

On 19 October 2020, the Board declared an interim dividend in the form of distribution in specie of the shares of Midland IC&I Limited ("Midland IC&I shares") held by the Group to the shareholders of the Company in the proportion of 1,700 Midland IC&I shares for every 2,000 issued shares of the Company. A total of 610,976,997 Midland IC&I shares with an aggregate fair value of approximately HK$363,040,000 were recognised as distribution during the year ended 31 December 2020, which represented a distribution of approximately HK$0.51 per share of the Company.

After the completion of the distribution in specie in November 2020, the Group ceased to hold any Midland IC&I share. Midland IC&I Limited and its subsidiaries ("Midland IC&I Group") ceased to be accounted for as associates in the consolidated financial statements of the Company.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: nil).

15 Earnings per share

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

	2021 HK$'000	2020 HK$'000
Profit attributable to equity holders for the calculation of basic and diluted earnings per share	100,213	131,854
Weighted average number of shares for the calculation of basic earnings per share (thousands)	717,801	718,046
Effect on conversion of share options (thousands)	661	–
Weighted average number of shares for the calculation of diluted earnings per share (thousands)	718,462	718,046
Basic earnings per share (HK cents)	13.96	18.36
Diluted earnings per share (HK cents)	13.95	18.36

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 year.

In calculating the diluted earnings per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options. For the year ended 31 December 2021, adjustment has been made to determine the number of shares that could have been acquired at fair value (according to the average market price of the shares of the Company) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the year ended 31 December 2020, the diluted earnings per share is the same as the basic earnings per share as the exercise of share options of the Company and the convertible note issued by its associates would have an anti-dilutive effect.

16 Property and equipment

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2021						
Cost	156,739	255,633	87,852	262,808	5,828	768,860
Accumulated depreciation and impairment	(98,879)	(233,856)	(72,438)	(204,324)	(5,060)	(614,557)
Net book amount	57,860	21,777	15,414	58,484	768	154,303
Year ended 31 December 2021						
Opening net book amount	57,860	21,777	15,414	58,484	768	154,303
Additions	–	35,130	7,804	22,407	–	65,341
Disposals	–	(114)	(589)	–	(15)	(718)
Depreciation	(1,125)	(26,677)	(5,553)	(18,792)	(540)	(52,687)
Impairment	–	(4,704)	–	–	–	(4,704)
Exchange differences	12	39	315	1	–	367
Closing net book amount	56,747	25,451	17,391	62,100	213	161,902
At 31 December 2021						
Cost	156,756	261,752	90,201	285,228	5,468	799,405
Accumulated depreciation and impairment	(100,009)	(236,301)	(72,810)	(223,128)	(5,255)	(637,503)
Net book amount	56,747	25,451	17,391	62,100	213	161,902
At 1 January 2020						
Cost	156,694	270,881	82,576	237,466	6,798	754,415
Accumulated depreciation	(97,744)	(242,061)	(68,682)	(195,600)	(5,859)	(609,946)
Net book amount	58,950	28,820	13,894	41,866	939	144,469
Year ended 31 December 2020						
Opening net book amount	58,950	28,820	13,894	41,866	939	144,469
Additions	–	23,160	4,840	31,624	425	60,049
Disposals	–	–	(186)	–	–	(186)
Depreciation	(1,123)	(29,617)	(3,957)	(15,008)	(596)	(50,301)
Impairment	–	(776)	–	–	–	(776)
Exchange differences	33	190	823	2	–	1,048
Closing net book amount	57,860	21,777	15,414	58,484	768	154,303
At 31 December 2020						
Cost	156,739	255,633	87,852	262,808	5,828	768,860
Accumulated depreciation and impairment	(98,879)	(233,856)	(72,438)	(204,324)	(5,060)	(614,557)
Net book amount	57,860	21,777	15,414	58,484	768	154,303

Land and buildings with net book value of HK$56,251,000 (2020: HK$57,358,000) are pledged as security for the Group's borrowing facilities (note 29).

17 Right-of-use assets and lease liabilities

(a) Amounts recognised in the consolidated balance sheet

(i) Right-of-use assets

	2021 HK$'000	2020 HK$'000
Properties	725,058	547,344
Motor vehicles	403	394
Land use rights	1,037	1,049
	726,498	548,787

Additions to the right-of-use assets during the year were HK$791,078,000 (2020: HK$527,071,000).

(ii) Lease liabilities

	2021 HK$'000	2020 HK$'000
Non-current	313,418	209,960
Current	533,315	459,910
	846,733	669,870

During the years ended 31 December 2021 and 2020, the Group received rent concessions from landlords for certain leased properties, which have been accounted for as lease modifications.

17 Right-of-use assets and lease liabilities (Continued)

(b) Amounts recognised in the consolidated income statement

	2021 HK$'000	2020 HK$'000
Amortisation of right-of-use assets		
Properties	575,499	591,264
Motor vehicles	392	387
Land use rights	37	35
	575,928	591,686
Expenses relating to short-term leases (included in operating lease charges in respect of office and shop premises)	54,312	62,874
Expenses relating to variable lease payments not included in lease liabilities (included in operating lease charges in respect of office and shop premises)	410	–
	54,722	62,874
Interest on lease liabilities (note 12)	17,205	21,885

The Group regards each district/region as a separately identifiable cash-generating unit. Management carries out an impairment assessment on cash-generating units when an impairment indicator exists and the carrying amounts may not be recoverable. The carrying amount of the related assets is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

During the year ended 31 December 2021, certain leased properties were written down to its recoverable amount, which was determined by reference to the value in use of the leased properties. Losses of HK$21,849,000 and HK$4,704,000 (2020: HK$47,315,000 and HK$776,000) for the impairment of right-of-use assets and leasehold improvements, respectively, are included in other operating costs in the consolidated income statement.

(c) Amounts recognised in the consolidated statement of cash flows

The total cash outflow for leases during the year was HK$671,811,000 (2020: HK$680,702,000).

18 Investment properties

	2021 HK$'000	2020 HK$'000
Opening net book amount	73,701	77,687
Change in fair value to consolidated income statement (note 8)	919	(5,998)
Exchange differences	721	2,012
Closing net book amount	75,341	73,701

Change in fair value of investment properties is included in "other income, net" in the consolidated income statement (note 8).

As at 31 December 2021, valuations were undertaken by Midland Surveyors Limited (2020: Midland Surveyors Limited), a qualified professional surveyor under the Group with appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. Fair values of investment properties in Hong Kong and the PRC are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations.

Information about fair value measurements using significant unobservable inputs:

		Range of significant unobservable inputs	
Location of investment properties	Fair value HK$'000	Prevailing market rent per month	Capitalisation rate
Hong Kong	45,390	HK$36 to HK$113 per sq. ft. (saleable) (2020: HK$35 to HK$107 per sq. ft. (saleable))	3.20% to 4.00% (2020: 3.20% to 4.00%)
The PRC	29,951	RMB169 to RMB1,750 per sq. m. (gross) (2020: RMB173 to RMB1,740 per sq. m. (gross))	5.80% to 6.10% (2020: 5.80% to 6.00%)
Total	75,341		

Prevailing market rents are estimated based on qualified valuer's view of recent lettings, within the subject properties and other comparable properties. The higher the rents, the higher the fair value.

Capitalisation rates are estimated by qualified valuer based on the risk profile of the properties being valued. The lower the rates, the higher the fair value.

Investment properties with net book value of HK$45,390,000 (2020: HK$43,820,000) are pledged as security for the Group's borrowing facilities (note 29).

19 Interests in joint ventures

	2021 HK$'000	2020 HK$'000
Share of net assets	41,158	35,818

Details of the principal joint ventures are set out in note 37(b) to the consolidated financial statements.

The summarised financial information below represents the aggregate amount of the Group's share of its interests in joint ventures:

	2021 HK$'000	2020 HK$'000
At the beginning of the year	35,818	45,821
Share of profit	22,915	17,650
Dividend received	(17,575)	(27,653)
At the end of the year	41,158	35,818

The table below provides summarised financial information of joint ventures that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant joint ventures and not the Group's share of these amounts:

mReferral Group

	2021 HK$'000	2020 HK$'000
Total non-current assets	5,168	8,673
Total current assets	118,050	98,202
Total non-current liabilities	(568)	(3,463)
Total current liabilities	(43,285)	(34,074)
Net assets	79,365	69,338
Group's share of net assets	39,683	34,669
Revenues	161,304	123,789
Profit and total comprehensive income for the year attributable to equity holders	45,176	35,149
Group's share of the profit and total comprehensive income for the year	22,588	17,575

During the year ended 31 December 2021, the Group received dividends of HK$17,575,000 (2020: HK$27,653,000) from mReferral Group.

There are no significant contingent liabilities and capital commitments relating to the Group's interests in joint ventures and the joint ventures do not have any significant contingent liabilities and capital commitments as at 31 December 2021 and 2020.

20 Interests in associates

	HK$'000
Listed investment, at cost	
At 1 January 2020	368,339
Share of loss	(3,744)
Disposal	(364,595)
At 31 December 2020	–

Disposal of Midland IC&I Group

During the year ended 31 December 2020, an interim dividend was declared in the form of distribution in specie of Midland IC&I shares held by the Group to the shareholders of the Company in the proportion of 1,700 Midland IC&I shares for every 2,000 issued shares of the Company. After the completion of the distribution in specie in November 2020, the Group ceased to hold any Midland IC&I share. Midland IC&I Group cease to be accounted for as associates in the consolidated financial statements of the Company.

The Group's share of net assets of Midland IC&I Group as at the date of completion of distribution is as follows:

	HK$'000
Group's share of net assets	364,595

	HK$'000
Distribution in specie (note 14)	363,040
Fair value of associates at the date of completion of distribution	(364,595)
Loss on disposal of associates (note 8)	(1,555)

21 Financial assets at fair value through other comprehensive income

	2021 HK$'000	2020 HK$'000
Unlisted equity investments, at fair value	2,038	3,701

The Group's financial assets at fair value through other comprehensive income are denominated in United States dollars.

22 Loan receivables

	2021 HK$'000	2020 HK$'000
Loan receivables – loans to employees	2,881	4,939
Loan receivables – property mortgage loans	21,700	92,200
Total loan receivables	24,581	97,139
Less: non-current portion	(2,385)	(881)
Current portion	22,196	96,258

Loan receivables represent loans to employees and property mortgage loans granted to customers in Hong Kong. The Group's loan receivables are denominated in Hong Kong dollars. Loan receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Details on the Group's credit policy and credit risk arising from loan receivables are set out in note 4(a)(i).

The loan receivables do not contain impaired assets. The Group holds properties located in Hong Kong as collateral for property mortgage loans.

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:

	2021 HK$'000	2020 HK$'000
Within 1 year	22,196	96,258
Over 1 year but less than 2 years	965	357
Over 2 years but less than 3 years	1,137	393
Over 3 years	283	131
	24,581	97,139

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

23 Trade and other receivables

	2021 HK$'000	2020 HK$'000
Trade receivables	3,607,354	2,904,119
Less: loss allowance	(165,900)	(108,213)
Trade receivables, net	3,441,454	2,795,906
Other receivables, prepayments and deposits	362,087	358,182
	3,803,541	3,154,088

Trade receivables mainly represent agency fees 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 ageing analysis of the trade receivables is as follows:

	2021 HK$'000	2020 HK$'000
Current (not yet due)	3,332,559	2,686,186
Less than 30 days past due	45,251	59,852
31 to 60 days past due	16,615	22,289
61 to 90 days past due	11,912	8,973
More than 90 days past due	35,117	18,606
	3,441,454	2,795,906

Trade receivables of HK$108,895,000 (2020: HK$109,720,000) were past due but not impaired.

Details on the Group's credit policy and credit risk arising from trade receivables are set out in note 4(a)(i).

Deposits and other receivables within trade and other receivables do not contain impaired assets. The Group does not hold any collateral as security.

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

Borrowing facilities granted to the Group were secured, inter alia, by floating charge over certain receivables of the Group, with carrying value of approximately HK$3,303,221,000 as at 31 December 2021 (2020: HK$2,558,785,000).

24 Cash and bank balances

	2021 HK$'000	2020 HK$'000
Cash and bank balances	1,505,527	940,608
Less:		
Short-term bank deposits with maturity over three months from date of deposits	–	(2,454)
Cash and cash equivalents in the consolidated balance sheet and the consolidated statement of cash flows	1,505,527	938,154

As at 31 December 2021, the Group's cash and bank balances included balances of HK$47,900,000 (2020: HK$93,128,000), which were deposits with banks in the PRC. The remittance of such balances out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

25 Share capital and premium

	Number of issued shares (HK$0.10 each)	Nominal value HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2020, 31 December 2020 and 1 January 2021	718,046,005	71,805	223,505	295,310
Cancellation of shares repurchased (note b)	(960,000)	(96)	(1,270)	(1,366)
At 31 December 2021	717,086,005	71,709	222,235	293,944

Notes:

(a) Share capital

The total authorised number of ordinary shares is 1 billion shares (2020: 1 billion shares) with a nominal value of HK$0.10 per share (2020: HK$0.10 per share). All issued shares are fully paid.

(b) Repurchase of shares

During the year ended 31 December 2021, the Company repurchased a total of 960,000 of its own shares on the Stock Exchange at an aggregate consideration of HK$1,366,000 (including expense of HK$5,000). These shares were subsequently cancelled.

(c) Share options

The Company has adopted a share option scheme on 30 April 2002 (the "2002 Share Option Scheme"). The 2002 Share Option Scheme became effective on 30 April 2002 and had remained in force for a period of ten years from that date and had expired on 29 April 2012.

On 23 June 2016, the Company adopted another share option scheme (the "2016 Share Option Scheme"). The 2016 Share Option Scheme became effective on 23 June 2016 and will remain in force for a period of ten years from that date. The purpose of the 2016 Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to, the selected participants, to attract and retain the best quality personnel for the development of the business of the Company and each of its direct or indirect subsidiary, associated company, jointly controlled entity or joint venture (collectively, the "Eligible Group"), to recognise the contributions of the selected participants to the growth of the Eligible Group by rewarding them with opportunities to obtain ownership interest in the Company, and/or to promote the long term success of the Eligible Group by aligning the interests of the selected participants to the shareholders of the Company.

25 Share capital and premium (Continued)

Notes: (Continued)

(c) Share options (Continued)

Pursuant to the 2016 Share Option Scheme, the Board may, at its discretion, offer to grant share options to any director (including any executive director of the Company), executive, officer or employee (whether full-time or part-time) of each member of the Eligible Group (but excluding each member of the committee appointed by the Board from time to time for the purpose of administration of the 2016 Share Option Scheme), as absolutely determined by the Board in accordance with the terms of the 2016 Share Option Scheme.

The maximum number of shares issued and to be issued upon exercise of all options granted to each participant under the 2016 Share Option Scheme and any other share option schemes of the Company (including those exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue. Any grant under the 2016 Share Option Scheme and any other share option scheme(s) of the Company to each participant who is an Independent Non-Executive Director or a substantial shareholder of the Company, or any of their respective associates, in any 12-month period shall not exceed 0.1% of the total number of shares of the Company in issue and the aggregate value based on the closing price of the shares of the Company at the date of each grant shall not exceed HK$5,000,000.

The exercise price shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option which must be a business day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five consecutive business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share of the Company on the date of grant of the option.

In January 2020, 9,174,300 share options were granted to certain directors of the Company under the 2016 Share Option Scheme (no share options were granted during the year ended 31 December 2021). Each option gives the holder the right to subscribe for one ordinary share of the Company. The share options granted will be vested 1 year after the date of grant. The vesting period of these options ends when they become exercisable. A consideration of HK$1 from each of the grantees was received.

The fair value of each share option granted was estimated on the date of grant using the Binomial Model with the following assumptions:

Share price at date of grant	:	HK$1.09
Exercise price	:	HK$1.09
Option life	:	8 years
Expected volatility	:	33.77%
Expected dividend yield	:	0.48%
Risk-free rate	:	1.544%
Exercise multiple	:	2.8x

The expected volatility measured by using the historical volatility of the Company over the most recent period commensurate with the expected life of the share options.

Based on the above assumptions, the estimated fair value of each share option was HK$0.2512. Any changes in the parameters may materially affect the estimation of the fair value of a share option.

For the year ended 31 December 2021, the Group has recognised share-based payment expenses of HK$100,000 in the consolidated income statement (2020: HK$2,204,000).

25 Share capital and premium (Continued)

Notes: (Continued)

(c) Share options (Continued)

(i) Terms of unexpired and unexercised share options at balance sheet date

Share options outstanding at the end of the year have the following exercisable period and exercise prices:

Exercisable period	Exercise price per share HK$	Number of options 2021	2020
1 October 2013 to 30 September 2021	3.81	–	3,604,580
17 January 2021 to 16 January 2028	1.09	9,174,300	9,174,300
		9,174,300	12,778,880

(ii) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2021 Weighted average exercise price per share HK$	2021 Number of options	2020 Weighted average exercise price per share HK$	2020 Number of options
At beginning of the year	1.857	12,778,880	3.970	10,813,740
Granted	–	–	1.090	9,174,300
Lapsed	3.810	(3,604,580)	4.050	(7,209,160)
At the end of the year	1.090	9,174,300	1.857	12,778,880

As at 31 December 2021, 9,174,300 options were exercisable (2020: 3,604,580 options).

The options outstanding as at 31 December 2021 had a weighted average remaining contractual life of 6.05 years (2020: 5.27 years).

26 Reserves

	Capital redemption reserve HK$'000	Capital reserve HK$'000	Legal reserve HK$'000	Employee benefits reserve HK$'000	Exchange reserve HK$'000	Financial assets at FVOCI reserve HK$'000	Property revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2021	4,917	2,086	190	7,612	21,262	2,035	24,201	731,792	794,095
Profit for the year	–	–	–	–	–	–	–	100,213	100,213
Fair value gains on financial assets at fair value through other comprehensive income	–	–	–	–	–	723	–	–	723
Currency translation differences	–	–	–	–	(2,879)	–	–	–	(2,879)
Transfer of gain on disposal of financial assets at fair value through other comprehensive income to retained earnings	–	–	–	–	–	(855)	–	855	–
Employee share option scheme									
– value of employee services	–	–	–	100	–	–	–	–	100
– lapse of share options	–	–	–	(5,408)	–	–	–	5,408	–
Repurchase and cancellation of own shares	96	–	–	–	–	–	–	(96)	–
At 31 December 2021	5,013	2,086	190	2,304	18,383	1,903	24,201	838,172	892,252
At 1 January 2020	4,917	(11,553)	12	16,859	27,474	2,373	24,201	965,041	1,029,324
Profit for the year	–	–	–	–	–	–	–	131,854	131,854
Fair value losses on financial assets at fair value through other comprehensive income	–	–	–	–	–	(35)	–	–	(35)
Currency translation differences	–	–	–	–	(6,212)	–	–	–	(6,212)
Transfer of gain on disposal of financial assets at fair value through other comprehensive income to retained earnings	–	–	–	–	–	(303)	–	303	–
Employee share option scheme									
– value of employee services	–	–	–	2,204	–	–	–	–	2,204
– lapse of share options	–	–	–	(11,451)	–	–	–	11,451	–
Release of reserve upon disposal of associates	–	13,639	–	–	–	–	–	(13,639)	–
Contribution to PRC statutory reserves	–	–	178	–	–	–	–	(178)	–
Distribution in specie (note 14)	–	–	–	–	–	–	–	(363,040)	(363,040)
At 31 December 2020	4,917	2,086	190	7,612	21,262	2,035	24,201	731,792	794,095

27 Deferred taxation

	2021 HK$'000	2020 HK$'000
Deferred tax assets	11,731	12,060
Deferred tax liabilities	(8,948)	(7,809)
	2,783	4,251

The net movements on the deferred tax assets/(liabilities) are as follows:

	2021 HK$'000	2020 HK$'000
At 1 January	4,251	15,206
Recognised in the consolidated income statement (note 13)	(1,468)	(10,955)
At 31 December	2,783	4,251

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

	Provision HK$'000	Decelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2020	8,003	5,253	7,971	21,227
Recognised in the consolidated income statement	1,417	(2,613)	(7,971)	(9,167)
At 31 December 2020	9,420	2,640	–	12,060
Recognised in the consolidated income statement	(1,051)	722	–	(329)
At 31 December 2021	8,369	3,362	–	11,731

27 Deferred taxation (Continued)

Deferred tax liabilities

	Accelerated tax depreciation HK$'000	Fair value gains of investment properties HK$'000	Total HK$'000
At 1 January 2020	(5,630)	(391)	(6,021)
Recognised in the consolidated income statement	(1,993)	205	(1,788)
At 31 December 2020	(7,623)	(186)	(7,809)
Recognised in the consolidated income statement	(1,153)	14	(1,139)
At 31 December 2021	(8,776)	(172)	(8,948)

Deferred tax assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of HK$169,475,000 (2020: HK$134,172,000) in respect of losses amounting to HK$861,537,000 (2020: HK$716,880,000) as at 31 December 2021. These tax losses are subject to the agreement with the tax authorities and can be carried forward against future taxable income. Tax losses have no expiry date except for tax losses amounting to HK$336,339,000 (2020: HK$198,927,000) which will expire from 2022 to 2026 (2020: from 2021 to 2025).

In addition, the Group did not recognise deferred tax assets of HK$1,565,000 (2020: HK$1,395,000) and HK$638,000 (2020: HK$1,009,000) in respect of decelerated tax depreciation and provision respectively.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2021 HK$'000	2020 HK$'000
Deferred tax assets		
Recoverable after more than twelve months	3,362	2,640
Recoverable within twelve months	8,369	9,420
	11,731	12,060
Deferred tax liabilities		
Payable or settle after more than twelve months	(8,948)	(7,809)

28 Trade and other payables

	2021 HK$'000	2020 HK$'000
Commissions and rebate payables	3,257,129	2,616,325
Other payables and accruals	337,410	415,421
	3,594,539	3,031,746

Commissions and rebate payables to property consultants, co-operative estate agents and property buyers are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions and rebate payables of HK$352,999,000 (2020: HK$325,108,000) in respect of which the corresponding agency fees have been received, and are due for payment within 30 days after year end. All the remaining commissions and rebate payables are not yet due.

The management considers the balance of contract liabilities arising from immigration consultancy services is not material to the Group and hence not presented as a separate line item in the financial statements.

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

29 Borrowings

As at 31 December 2021 and 2020, the Group's borrowings include a repayment on demand clause and are classified as current liabilities.

	2021 HK$'000	2020 HK$'000
Bank loans repayable within 1 year	687,000	228,000

These borrowing facilities are secured by certain land and buildings and investment properties held by the Group (notes 16 and 18), certain receivables (note 23) and guarantees provided by the Company (note 31).

For the bank loans, the fair values are not materially different to their carrying amounts, since the interest payables on the bank loans are close to current market rates.

Borrowings are denominated in Hong Kong dollars.

The Group has the following undrawn borrowing facilities:

	2021 HK$'000	2020 HK$'000
Floating rates		
Expiring within one year	2,044,800	2,513,800

30 Notes to consolidated statement of cash flows

(a) Reconciliation of operating profit to net cash generated from operations

	2021 HK$'000	2020 HK$'000
Operating profit	150,958	169,743
Amortisation of right-of-use assets	575,928	591,686
Depreciation of property and equipment	52,687	50,301
Net impairment losses on financial assets	79,761	27,631
Fair value (gains)/losses on investment properties (note 8)	(919)	5,998
Loss on disposal of associates (note 8)	–	1,555
Impairment losses on right-of-use assets (note 11)	21,849	47,315
Impairment losses on property and equipment (note 11)	4,704	776
Loss on disposal of property and equipment (note 11)	558	181
Non-cash employee benefits expenses – share-based benefits (note 9)	100	2,204
Net exchange differences	(1,095)	(5,513)
Operating profit before working capital changes	884,531	891,877
Changes in loan receivables	72,558	20,882
Changes in trade and other receivables	(722,210)	(637,533)
Changes in trade and other payables	551,901	413,655
Net cash generated from operations	786,780	688,881

(b) Reconciliation of liabilities from financing activities

Movements in liabilities from financing activities are as follows:

	Borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2020	489,000	758,664	1,247,664
Cash flows	(261,000)	(595,943)	(856,943)
Other non-cash movements	–	507,149	507,149
At 31 December 2020	228,000	669,870	897,870
Cash flows	459,000	(599,884)	(140,884)
Other non-cash movements	–	776,747	776,747
At 31 December 2021	687,000	846,733	1,533,733

31 Contingent liabilities

As at 31 December 2021, the Company executed corporate guarantee of HK$3,123,800,000 (2020: HK$2,823,800,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 31 December 2021, HK$735,429,000 of these facilities were utilised by the subsidiaries (2020: HK$277,466,000).

32 Future lease rental receivable

The Group had future minimum lease rental receivable under non-cancellable operating leases for properties as follows:

	2021 HK$'000	2020 HK$'000
Within one year	2,917	2,859
After one year but within five years	2,343	1,055
	5,260	3,914

33 Commitments

(a) Capital commitments

The Group did not have any significant capital commitments as at 31 December 2021 and 2020.

(b) Operating lease commitments

The Group had future aggregate minimum lease payable under non-cancellable operating leases in respect of office and shop premises as follows:

	2021 HK$'000	2020 HK$'000
Within one year	2,574	4,959

34 Significant related party transactions

The Group had the following significant transactions with related parties during the year and balances with related parties as at the balance sheet date:

(a) Transactions with related parties

	Note	2021 HK$'000	2020 HK$'000
Agency fee income from:	(i) & (iv)		
– associates		–	25,262
– related companies		58,521	10,020
		58,521	35,282
Rebate incentives to:	(ii) & (iv)		
– associates		–	(16,647)
– related companies		(27,171)	(4,620)
		(27,171)	(21,267)
License fee income from related companies	(iii)	2,129	244

Notes:

(i) Agency fee income from associates/related companies represents agency fee for property agency transactions referred to associates/related companies on terms mutually agreed by both parties.

(ii) Rebate incentives to associates/related companies represents rebate incentives for property agency transactions referred by associates/related companies on terms mutually agreed by both parties.

(iii) License fee income from related companies represents license fee for the use of trademark by Midland IC&I Group on terms mutually agreed by both parties.

(iv) After the completion of the distribution in specie of Midland IC&I shares by the Company in November 2020 (note 14), Midland IC&I Group ceased to be associates of the Group, and the associates in notes (i) and (ii) were still regarded as "related companies" after the completion of distribution in specie as Mr. WONG Kin Yip, Freddie ("Mr. Wong"), a director of the Company, is also a director and substantial shareholder of Midland IC&I Limited.

During the year, the Group shared administrative and corporate services fee on a cost basis with an aggregate amount of HK$16,582,000 (2020: HK$15,042,000) with its associates/related companies (note (iv)).

(b) During the year ended 31 December 2021, the Group entered into certain leases with Midland IC&I Group on terms mutually agreed by both parties. The Group recognised right-of-use assets of HK$2,428,000 at the commencement date of the leases (2020: HK$4,225,000).

During the year ended 31 December 2021, lease payments to Midland IC&I Group under certain leases amounted to HK$3,520,000 (2020: HK$2,710,000).

34 Significant related party transactions (Continued)

(c) During the year ended 31 December 2021, the Group entered into certain leases with certain companies, of which Mr. Wong is the beneficial owner, on terms mutually agreed by both parties. The Group recognised right-of-use assets of HK$6,377,000 at the commencement date of the leases (2020: HK$5,269,000).

During the year ended 31 December 2021, lease payments to these companies, of which Mr. Wong is the beneficial owner, under certain leases amounted to HK$5,090,000 (2020: HK$5,216,000).

(d) The balances with related parties included in trade and other receivables, trade and other payables and lease liabilities are as follows:

	2021 HK$'000	2020 HK$'000
Trade and other receivables		
Amounts due from related companies (note 34(a))	27,859	33,586
Trade and other payables		
Amounts due to related companies (note 34(a))	(23,444)	(22,265)
Lease liabilities		
Amount due to related companies (note 34(b))	(1,056)	(2,110)
Amount due to other related companies (note 34(c))	(4,883)	(3,536)

(e) Key management compensation

	2021 HK$'000	2020 HK$'000
Fees, salaries, allowances and incentives	36,686	35,817
Share-based benefits	100	2,204
Retirement benefit costs	54	54
	36,840	38,075

The amount represents emoluments paid or payable to the Executive Directors for the year.

35 Balance sheet and reserves movement of the Company

Balance sheet of the Company

	Note	As at 31 December 2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		108,501	108,501
Current assets			
Other receivables, prepayments and deposits		3,479	3,194
Amounts due from subsidiaries		487,713	489,353
Taxation recoverable		388	82
Cash and cash equivalents		766	648
		492,346	493,277
Total assets		600,847	601,778
EQUITY AND LIABILITIES			
Equity holders			
Share capital		71,709	71,805
Share premium		222,235	223,505
Reserves	(a)	292,489	291,042
Total equity		586,433	586,352
Current liabilities			
Other payables and accruals		13,874	14,921
Amounts due to subsidiaries		540	505
Total liabilities		14,414	15,426
Total equity and liabilities		600,847	601,778

The balance sheet of the Company was approved by the Board of Directors on 30 March 2022 and was signed on its behalf.

WONG Ching Yi, Angela
Director

WONG Tsz Wa, Pierre
Director

35 Balance sheet and reserves movement of the Company (Continued)

Note (a) Reserves movement of the Company

	Capital redemption reserve HK$'000	Employee benefits reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2021	4,917	7,612	108,001	170,512	291,042
Profit for the year	–	–	–	1,347	1,347
Employee share option scheme					
– value of employee services	–	100	–	–	100
– lapse of share options	–	(5,408)	–	5,408	–
Repurchase and cancellation of own shares	96	–	–	(96)	–
At 31 December 2021	5,013	2,304	108,001	177,171	292,489
At 1 January 2020	4,917	16,859	108,001	470,358	600,135
Profit for the year	–	–	–	51,743	51,743
Employee share option scheme					
– value of employee services	–	2,204	–	–	2,204
– lapse of share options	–	(11,451)	–	11,451	–
Distribution in specie (note 14)	–	–	–	(363,040)	(363,040)
At 31 December 2020	4,917	7,612	108,001	170,512	291,042

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of Astra Profits Limited and the value of the net assets of the underlying subsidiaries acquired as at 12 May 1995. The contributed surplus is distributable to the equity holders. In the Group's consolidated financial statements, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

36 Event after the reporting period

After the outbreak of the Omicron variant of COVID-19 in early 2022, a series of precautionary and control measures have been and continued to be implemented. The Group has paid close attention to the development of the COVID-19 outbreak and kept evaluating its impact on the financial position, cash flows and operating results of the Group. The outbreak is a non-adjusting post-balance sheet event. It is considered that this does not have any material impacts on the carrying value of assets or liabilities at 31 December 2021.

37 Particulars of principal subsidiaries and joint ventures

(a) Principal subsidiaries

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and places of operation	Percentage of ownership interest 2021 %	2020 %
Astra Profits Limited (note a)	British Virgin Islands	4 shares of US$1 each	Investment holding in Hong Kong	100	100
Hong Kong Property Services (Agency) Limited	Hong Kong	2 shares	Property agency in Hong Kong	100	100
Hong Kong Property Services (China) Limited	Hong Kong	1 share	Investment holding in the PRC	100	100
Midland Credit Limited	Hong Kong	1 share	Money lending business in Hong Kong	100	100
Midland CyberNet Limited	Hong Kong	39,100,000 shares	Investment holding and operation of internet website in Hong Kong	100	100
Midland HKP Services (Administration) Limited	Hong Kong	2 shares	Provision of management services in Hong Kong	100	100
Midland Immigration Consultancy Limited	Hong Kong	500,000 shares	Immigration consultancy services in Hong Kong	100	100
Midland Realty (Global) Limited	Hong Kong	1 share	Promotion of overseas properties in Hong Kong	100	100
Midland Realty (Macau) Agency Limited	Macau	MOP$25,000	Property agency in Macau	100	100
Midland Realty (Macau) Limited	Macau	MOP$25,000	Property agency in Macau	100	100
Midland Realty (Strategic) Limited	Hong Kong	10,000 shares and 2,000,000 non-voting deferred shares	Investment holding and provision of administration and treasury services to group companies in Hong Kong	100	100
Midland Realty International Limited	Hong Kong	1,000 shares	Property agency in Hong Kong	100	100

37 Particulars of principal subsidiaries and joint ventures (Continued)

(a) Principal subsidiaries (Continued)

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and places of operation	Percentage of ownership interest 2021 %	2020 %
Midland Surveyors Limited	Hong Kong	1,000,000 shares	Provision of professional surveying consultancy and valuation services in Hong Kong	100	100
Perfect Tower Limited	Hong Kong	2 shares	Property investment in the PRC	100	100
Real Gain Limited	Hong Kong	10,000 shares	Property investment in Hong Kong	100	100
Teston Profits Limited	British Virgin Islands	1 share of US$1	Investment holding in Hong Kong	100	100
Worldboss Limited	Hong Kong	2 shares	Property investment in Hong Kong	100	100
Guangzhou Midland Property Agency Company Limited (note b)	The PRC	US$5,606,000	Property agency in PRC	100	100
港置地產代理(深圳)有限公司 (note b)	The PRC	HK$45,000,000	Property agency in the PRC	100	100
美聯物業代理(深圳)有限公司 (note b)	The PRC	US$25,810,000	Property agency in the PRC	100	100
重慶美聯營銷策劃有限公司 (note b)	The PRC	US$2,147,000	Property agency in the PRC	100	100
成都港美聯房地產顧問有限公司 (note b)	The PRC	US$1,065,000	Property agency in the PRC	100	100
縱橫擔保(深圳)有限公司 (note b)	The PRC	US$5,400,000	Property investment in the PRC	100	100
北京美聯房地產經紀有限公司 (note b)	The PRC	US$12,800,000	Property agency in the PRC	100	100

Notes:

(a) This subsidiary is directly held by the Company.

(b) Registered as wholly foreign owned enterprise under the PRC law.

37 Particulars of principal subsidiaries and joint ventures (Continued)

(b) Principal joint ventures

Company name	Place of incorporation	Principal activities and places of operation	Percentage of interest in ownership/voting power/profit sharing	
			2021	2020
mReferral Corporation Limited	British Virgin Islands	Investment holding in Hong Kong	50%/50%/50%	50%/50%/50%
mReferral Corporation (HK) Limited	British Virgin Islands	Provision of mortgage referral services in Hong Kong	50%/50%/50%	50%/50%/50%
Vision Year Investments Limited	British Virgin Islands	Investment holding in Hong Kong	10%/50%/10%	10%/50%/10%

List of Investment Properties

Location	Lot number	Existing use	Lease term	Group's interest
Shop No. 6 on Lower Ground Floor, Franki Centre (formerly known as Kowloon Tong Centre), 320 Junction Road, Kowloon Tong, Kowloon, Hong Kong	NKIL5746	Commercial	Medium	100%
Unit 4 on Level (Site 1) 36 (excluding Market Entrance at L36) of Commercial Development, Sceneway Garden, 8 Sceneway Road, Lam Tin, Kowloon, Hong Kong	NKIL6046	Commercial	Medium	100%
Shops 1 and 2 on Ground Floor, Wai Wah Court, 12R Smithfield, Kennedy Town, Hong Kong	IL4097	Commercial	Long	100%
Shop No. 80, Harmony Garden, No. 9 Siu Sai Wan Road, Hong Kong	CWIL154	Commercial	Medium	100%
Units 1202, 1203 and 1204 on Level 12 of Tower 1, Henderson Centre, 18 Jianguomennei Avenue, Dongcheng District, Beijing, the People's Republic of China	N/A (note)	Commercial	Medium	100%
Shop No. 1D 128 on Level 1, Sun Asia Guo Li Building, 8 Zhong Hang Road, Futian District, Shenzhen, the People's Republic of China	N/A (note)	Commercial	Long	100%
Shop No. 1D 188 on Level 1, Sun Asia Guo Li Building, 8 Zhong Hang Road, Futian District, Shenzhen, the People's Republic of China	N/A (note)	Commercial	Long	100%

Note: Property located in the People's Republic of China without lot number.

Five-Year Financial Summary

	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
For the year					
Revenues	6,001,432	4,981,920	4,883,503	5,010,221	5,294,115
Profit/(loss) before taxation	144,006	150,022	(63,426)	78,536	235,068
Profit/(loss) attributable to equity holders of the Company	100,213	131,854	(68,924)	58,134	193,452
Cash flows					
Net cash inflow/(outflow) from operating activities	749,906	666,365	647,621	(26,934)	263,433
At year end					
Total assets	6,352,727	5,028,538	5,166,816	4,593,896	4,410,191
Total liabilities	5,166,531	3,939,133	3,842,182	3,137,798	3,048,412
Total equity	1,186,196	1,089,405	1,324,634	1,456,098	1,361,779
Cash and cash equivalents (include short-term bank deposits)	1,505,527	940,608	1,151,688	942,290	1,158,645
	HK cents	HK cents	HK cents	HK cents	HK cents
Per share data					
Basic earnings/(loss) per share	13.96	18.36	(9.60)	8.10	26.94
Diluted earnings/(loss) per share	13.95	18.36	(9.60)	7.95	26.45
Dividend per share					
Interim	–	50.56	–	3.20	–
Final	–	–	–	–	5.00
Total	–	50.56	–	3.20	5.00

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