

團結拼搏 堅毅前行

Stay United,  
Tough and Diligent to  
March Forward



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# 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

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

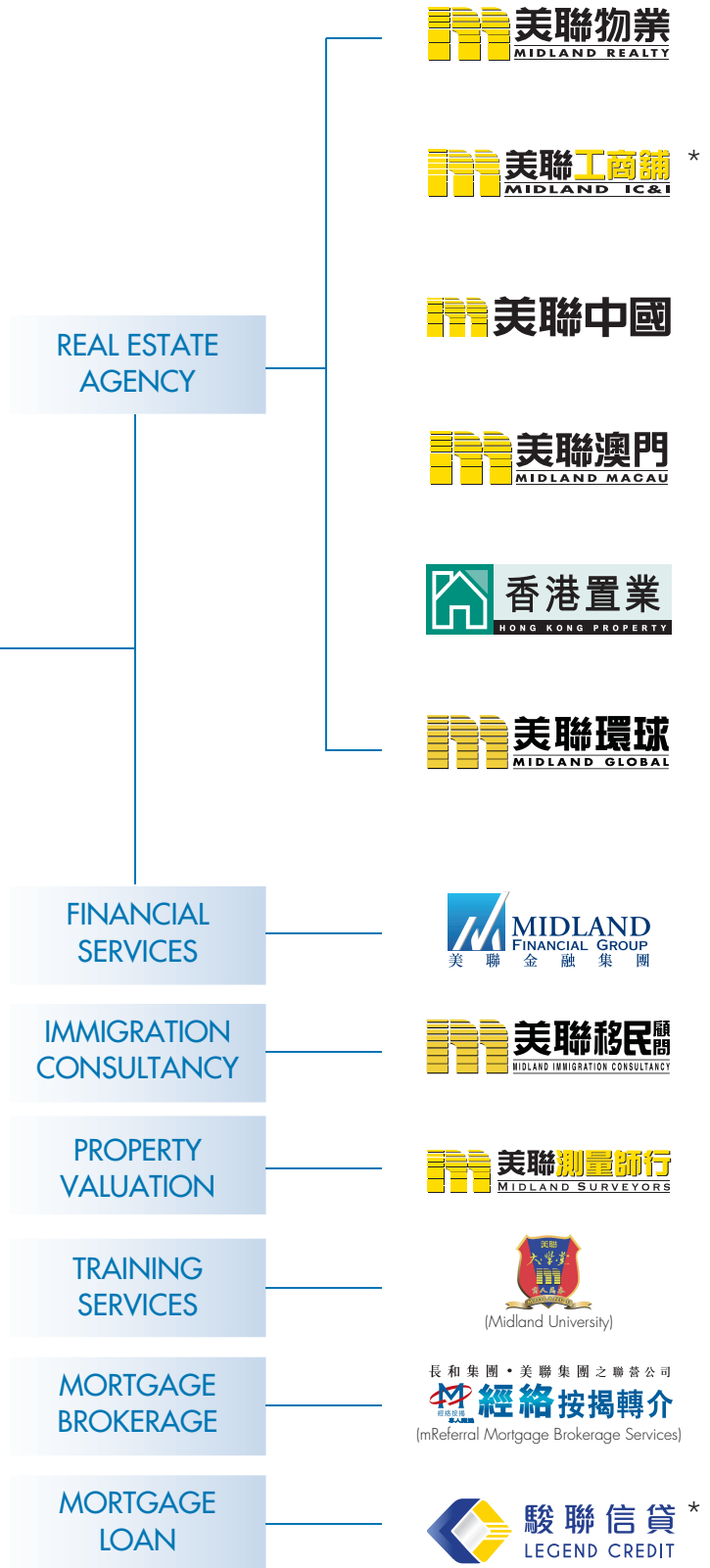
## WEBSITE

[www.midland.com.hk](http://www.midland.com.hk)

## STOCK CODE

1200

# Strategic Business Units



\* Related Company



## Strategic Business Units

## Strategic Business Units

## Business Description



Provision of residential property agency services in Hong Kong



A related company of the Company, providing non-residential property agency services in respect of industrial, commercial and shop properties in Hong Kong



Provision of property agency services, project planning, commercial property management and marketing and sales planning in the PRC



Provision of property agency services, surveying, project planning, leasing and property management services in Macau



Provision of residential property agency services in Hong Kong



Provision of overseas property projects' marketing and referral services in the PRC, Hong Kong and Macau



A joint venture of the Company, providing independent financial planning consultancy services, insurance brokerage and wealth management services



Provision of immigration consultancy services in Hong Kong and Macau



Provision of professional surveying consultancy services including valuation advisory, development study, sales, marketing, tender and auction for projects



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



A joint venture with a major developer, offering mortgage referral services as well as provision of related information



A related company of the Company, providing mortgage loan services in Hong Kong

# Major Events and Awards for the Year

## Kicking Off the 50th Anniversary Celebration with Annual Award Presentation

In recognition of our elite staff's remarkable achievements amidst the pandemic-stricken market, Midland held another Annual Award Presentation at a five-star hotel to kick off its 50<sup>th</sup> anniversary celebration. With the theme of "Carrying a Half-century Legacy into the New Digital Era," the ceremony marked a new milestone for Midland. Mr. Wong Kin Yip, the Group's Chairman, was joined by Ms. Wong Ching Yi, Angela, our Deputy Chairman, to officiate the toasting ceremony with the frontline leadership and award winners, where an elaborate video was presented to showcase the remarkable achievements of Midland's elite staff. The ceremony also featured a video clip and photos of Mr. Wong Kin Yip, an avid hiker, in his "conquering of the three sharp peaks," specially edited to showcase Midland's "Can Do" spirit and inspire our elite staff to greet the opportunities in the coming year with a better self. It was an event on a grand scale. In addition to awarding multiple heavyweight prizes, "Game of Valuers", a popular TV informative game show sponsored by Midland, was also brought to the stage, where attendees were selected and divided into teams to participate in a game, demonstrating their extensive property knowledge.



## 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. We won the top spot in the sales of numerous new property projects, including The Holborn, Novum Point, IL PICCO, Mont Rouge, Mont Verra, The Quinn • Square Mile, Larchwood, Upper Riverbank, The Henley III, Allegro, Grand Victoria III, Seaside Sonata, Arbour, Madera Garden, One Innovalle Phase I, One Innovalle Phase II, One Innovalle Phase III, Emerald Bay I, Emerald Bay II, Villa Lucca, The Horizon I, Horizon II, Silversands, Mayfair By The Sea 8, The Yoho Hub, Grand Jeté, Napa, Starfront Royale, Eden Manor and many more, winning continuous approval and recognition from developers with our outstanding achievement.



## Winning the "Henderson Gold Medal" with repeated success in new properties

Good news kept rolling in as Midland became the top seller in multiple new properties. In 2022, Midland won the "Henderson Gold Medal," one of the highest honors in the real estate agency industry, as the agency group with the highest number of units sold in Henderson's new developments, substantial proof of our prowess. Since its establishment, Midland Realty has worked closely with developers for 50 years and has been repeatedly awarded the "Henderson Gold Medal" in recognition of our elite staff's outstanding performance in new developments. Last year alone, Midland's elite sales team successively won the top sales position in numerous new Henderson properties.



## Major Events and Awards for the Year

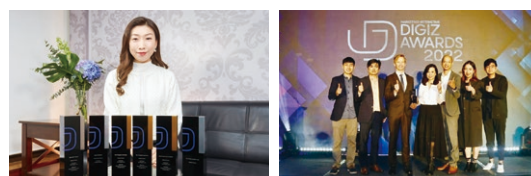
### Ranked top ten in CUHK's Corporate Innovation Index

In recognition of its development in innovative technology, Midland was ranked top ten, alongside many companies known for their innovation, in the inaugural "Corporate Innovation Index" by the Chinese University of Hong Kong (CUHK) Business School. It was the only real estate agency included in the index and ranked highest among all real estate related industries.



### Winning six medals in the Marketing Magazine: "DigiZ Awards 2022", our best results in the award's history

As the pandemic accelerates the change in purchase patterns, the new generation is becoming fonder of non-contact shopping. Midland continues to speed up its innovation and development, with the users of its website and mobile apps reaching record highs, leading the transformation of the home-buying model. Midland has won six medals at the DigiZ Awards, organised by Marketing Magazine, including three golds, two silvers, and one bronze, the best results in three consecutive years that it has participated in the competition, recognising its contribution to the introduction of new technology applications in the industry.



### Launching the industry's first "VR House Hunting" service Combining advanced VR technology and professional agent's navigation to provide an experience like being in the actual property

To help customers view properties without leaving their homes, while partnering with Matterport, a US-based spatial data company, to introduce "digital twins technology" to bring a new virtual 3D home shopping experience to prospective home buyers, Midland also launched the industry's first "VR House Hunting" service. After the customer has booked a viewing time, our agent will provide a link to the "VR House Hunting" service through real-time communication software, which the customer can click to enter the selected VR property and will then be connected with our agent in real time to inspect the property with 360-degree panoramic view and even raise questions by voice or using the "marker" function on the spot. The agent will give them prompt answers and professional analysis. In addition, in response to the further easing of mortgage caps under the Mortgage Insurance Programme, as proposed in the Budget, we have fully updated the functions of the Midland's Calculator for home buyers to help customers get a picture of their affordability at the click of a button.



### The only property agency to win six awards in Marketing Excellence 2022

Midland continues to innovate its online platform. By introducing technologies such as Virtual Reality (VR) and Artificial Intelligence (AI), we have helped customers overcome the constraints of time and space and continuously optimised their home buying experience, which made us the only agency being awarded two golds, three silvers and one bronze in the "Marketing Excellence", a total of six medals. Looking forward, we will continue to enhance the functions of Skynet to bring more superior customer experience.





## Major Events and Awards for the Year

### Title-sponsoring “Game Of Valuers”, a TV game show on TVB

Midland has made another title sponsor for a TV program. We joined hands with the largest local TV station to produce a large-scale variety show named “Game Of Value”, the first of its kind in Hong Kong that combines property market information and games, where participants would “estimate the property market” in games. During the show’s two-season run, which was informative, interactive, and entertaining, numerous frontline management from Midland Realty’s residential division appeared as a “think tank” to provide on-the-spot home-buying tips and break down the trend of property prices in Hong Kong with the audience.



### Opening the industry’s first “Metaverse Gallery” to showcase entries in the short video contest

In collaboration with Matterport and Property.hk, Midland organised a short video contest named “Check-in Your Dream!,” where young people are encouraged to share their community stories in short video form, attracting many creators to join. Midland Realty has created the “Metaverse Gallery” with the most advanced technology, which provides a brand-new virtual reality experience to the public, bringing them to see the masterpieces of the participants as if they were in a gallery. We are the first property agency in Hong Kong that successfully created an application scenario of the “Metaverse.”



### Obtaining exceptional results at the 54th “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 participate in the “Distinguished Salesperson Award” competition for 13 years in a row. This is the 6th 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.



### Winning the “E-brand Awards” for the six consecutive year

The Group’s rapid digitalisation and continuous website optimisation significantly enhanced customer experience, making it one of the winners of e-zone’s “E-brand Awards” for six consecutive years. Clinching again “The Best Real Estate Agency O2O Platform” in 2022, the Group has proved its contribution in driving the digitalisation of the industry and achievement in innovative service enhancement in the new technology era.



## Major Events and Awards for the Year

### Winning eight “Investor Relations Awards”

The Group is committed to promoting its corporate governance and maintaining good investor relations. Thanks to that, it has won eight accolades at the 8th “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,” “Grand ESG Award,” “Best ESG (S),” “Best ESG (E)” and “Best ESG (G)” which is our best results in the award’s history. As the only award-winning property agency, the Group has its leading position in the industry testified.



### Resuming the Town Hall Meeting to greet the new digital era

To forge closer ties, the Group once again held the “Townhall Meeting,” attended by nearly a thousand front-line and back-office colleagues led by the management. In addition to sharing sessions on market updates and business tips, and an award presentation session, experts in innovative technology were invited to the meeting to bring the latest information on technology applications to our colleagues, actively promoting digitalisation of the industry.



### Partner with a virtual bank to promote the “Flexible Revolving Loan” Scheme

Midland took a visionary approach to focus on online business development and continuously worked with various enterprises to introduce new services. In addition to traditional and innovative technology companies as partners, it has partnered with a major local virtual bank to promote the “Flexible Revolving Loan” Scheme with the concept of “Rent Now Pay Later” to selected customers, helping them to reduce the financial pressure of moving into a new home and providing a better rental experience.



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

Despite the pandemic, Midland has been committed to optimisation by continuously developing communication channels with its clients to meet their online property search and listing needs. Along with establishing a live customer service team, we have also introduced intelligent customer service to provide round-the-clock service. As a result, we have been awarded by HKCCA for five consecutive years with the Silver Award for “Inbound Contact Centre of the Year” and the Bronze Award for “Best Contact Centre in Omni-channel Deployment”, in recognition of Midland’s efforts in service enhancement.





## Major Events and Awards for the Year

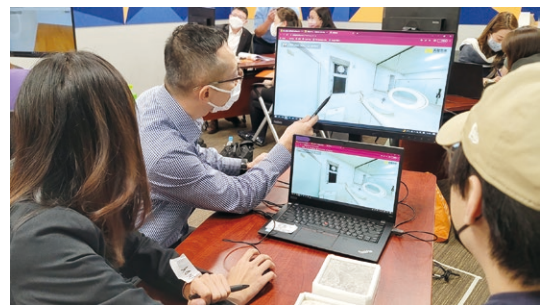
### Joint programme with CUHK to train management professionals

Midland attaches great importance to talent development by actively providing various programmes to its staff and the industry. As a training leader in the industry, we also co-organised the “Midland Business and Administration Development Programme” with the Asia-Pacific Institute of Business of the Business School of the Chinese University of Hong Kong, covering areas such as marketing strategy, financial analysis, staffing deployment, and information technology, with a number of academics and business luminaries as lecturers, to nurture more outstanding management talents. The Programme was attended by staff from frontline sales under the Group and the central professional units to develop their business and administrative skills further.



### Launching the Certificate in Building Inspection courses to enhance professional standards

Adhering to the principle of “People-oriented and Nurturing Talents,” Midland University has been offering a wide range of practical courses, among which the Certificate in Building Inspection Course, a very popular course among our staff, invites veteran surveyors to provide practical knowledge on building inspection and arranges on-site visits to existing buildings. Upon completion of the course and passing the examination, students will be awarded a certificate. Looking ahead, Midland will keep enhancing the professionalism of our staff and strengthen our sales team to provide the most professional services to our customers.



### Gifting a limited edition NFT to elites

To celebrate Midland’s 50th anniversary, a limited edition “Midland’s 50th Anniversary NFT (Non-Fungible Token)” was launched to supervisors and frontline sales elites as a means to recognize and encourage their outstanding performance. The design of NFT incorporates Midland’s mascot, “SearchBuddy (阿搜),” and the anniversary logo, just like “SearchBuddy (阿搜)” walking the red carpet, symbolising Midland’s 50 years of presence with the growing business platform which has created a bright career for its staff and helped each and every client to grow their assets.



### Holding a friendly football match to celebrate the World Cup

While the World Cup fever was sweeping the world, Midland has always attached great importance to its staff’s physical and mental health. The football team of Midland rode on the fever to play friendly matches with some famous local YouTubers. A team of local celebrity coaches was invited to lead the match, teaching both teams professional football knowledge and skills while giving the players a chance to experience the fun of playing with star players. Midland hopes to connect with all sectors through football and will continue to organise and participate in more related activities in the future to help promote local sports.



# Chairman's Statement

## BUSINESS REVIEW

Midland Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") announce that for the year ended 31 December 2022, it recorded a revenue of approximately HK\$3,115 million, representing a 48% decrease as compared with that for the year ended 31 December 2021. Loss attributable to equity holders for the year ended 31 December 2022 amounted to approximately HK\$534 million (2021: Profit attributable to equity holders of approximately HK\$100 million).

Such net loss was mainly attributable to:

- (1) a significant decline in the transaction volume of residential property sales in Hong Kong of around 40%, a new low in 27 years since 1996. Such decline was caused by multiple negative factors including (i) COVID-related restrictions and measures in Hong Kong; (ii) interest rate hikes; (iii) slowdown in sales launch of first-hand properties and the transaction volume of new residential units dropped nearly 40% year-on-year; (iv) poor investment sentiment; and (v) prolonged closing of the border between Hong Kong and Mainland China;
- (2) despite the Group's best efforts, limited rental concessions granted by the landlords; and
- (3) business in Mainland China suffered from poor market conditions in view of the lockdowns and other COVID-related measures and the loss of buyers' confidence in the presale of uncompleted properties.

## Sluggish Property Market During the Reporting Period

During the reporting period, the Hong Kong property market was plagued by a series of negative factors, causing the property prices to fall steadily. Property prices at the end of December 2022 dropped 17% as compared with that in August 2021. It was the fifth Hong Kong property market correction in recent years and the longest one. However, the extent of the consolidation was not particularly severe given the grim internal and external environments. Developers slowed down the pace of new launches since the second half of 2022, so that the number of new home transactions dropped considerably. According to the figures from the Land Registry, the new home transaction volume in 2022 was only 10,315 units, the lowest in almost two decades. The secondary home market was also sluggish, with its transaction volume dropping around 39% on a yearly basis. Since the developers did not cut prices to boost sales, while the majority of property owners were in a healthy financial position, property prices did not fall off the cliff. Furthermore, as the government eased the COVID-related restrictive measures in May 2022 and relaxed the mortgage insurance programme in the second quarter, market sentiments once improved slightly. However, when the US Federal Reserve started the supersized interest rate hike in June 2022, the market turned sour again. Despite the progressive relaxation of the COVID-related restrictive measures, Hong Kong lagged behind other major financial centres in restoring normalcy, further dampening the confidence of the local business community.

## Chairman's Statement

# OUTLOOK

## Mainland Economy is Expected to Post Strong Growth

The gross domestic product (GDP) of Mainland China grew by 2.9% in the fourth quarter of 2022, down from 3.9% growth in the third quarter, but above market expectations. As most COVID-related control measures in Mainland China have been relaxed since December 2022, the market consensus is that Mainland's economy will stage a very strong rebound in 2023. The then Vice-Premier Liu He, speaking at the World Economic Forum in Davos of Switzerland, said in January 2023 that Mainland China is returning to normality faster than expected and projected a rosy picture for this year. The Group therefore expects that Hong Kong's business activities will benefit from the anticipated strong recovery of the Mainland's economy.

## Size of Interest Rate Hikes May Shrink

In 2022, inflation raged worldwide, prompting central banks to raise interest rate, while wage expenses were at risk of surging when inflation began to rise. Currently, there are signs that inflation pressures could be weakening. Jerome Powell, the chairman of the US Federal Reserve, said in February 2023 that inflation was slowing down. Despite several supersized interest rate hikes, the US Federal Reserve still considered that the rate of deceleration of inflation was below its target level. Meanwhile, some of the causes of inflation, such as the Russia-Ukraine Conflict, would be unlikely to disappear any time soon. Therefore, the market expects the US to continue to raise interest rates this year, but as European and American banks have fallen into crisis in the same time, the scale is believed to be more moderately than before.

## Hong Kong Economic Revival on the Cards

After some twists and turns, the government finally abandoned all COVID-related restrictions on inbound travellers in December 2022, including no daily quota on the number of inbound travellers and not requiring travellers to provide negative PCR test reports. Huge increase in the number of business trip and tour groups is expected. Some expats who left Hong Kong in the last two years may plan to come back, which is likely to help the local economic growth. The economies of Hong Kong and Mainland China have always been highly integrated. As Mainland China gradually returns to normalcy, a lot of international conferences and exhibitions are expected to be held in Hong Kong again. Revival of the Hong Kong economy can be expected in 2023.

## Government Took the Initiative to Seek Talents and Business Opportunities

To shore up the Hong Kong economy, the government has shown strong determination in attracting talents to come. For one thing, it has launched a new programme called the "Top Talent Pass Scheme" to recruit talents with annual salary reaching HK\$2.5 million or with a bachelor degree from the world's top 100 universities. For another, the government has also relaxed the conditions of some other talent recruitment schemes. Furthermore, the government is going to restart the "Capital Investment Entrant Scheme" and implement new policies to allow eligible talents from outside Hong Kong to, upon becoming permanent residents in Hong Kong, apply for a refund of the extra stamp duty paid for purchasing residential property locally. Such policies will not only help Hong Kong replenish the talent pool but also provide new stimulus to the local economy, employment market, education industry and property sector.

In addition, the government launched in February 2023 the "Hello Hong Kong" Campaign, an initiative to welcome visitors from all around the world through giving away 500,000 air tickets and over a million "Hong Kong Goodies" visitor consumption vouchers. In the meantime, the Chief Executive, John Lee, has led a 30-member delegation of senior officials and business leaders to visit the Middle East. During this trip, Hong Kong and Saudi Arabia signed 6 bilateral deals to forge closer economic ties. Indeed, the government has also invited Saudi Arabian oil giant Aramco and its subsidiaries to invest and list in Hong Kong. If the listing takes place, Hong Kong will further elevate and solidify its status as an international financial centre.

## Chairman's Statement

### Property Market Has Shown Signs of Recovery

Despite the lingering market risks such as interest rate hikes and geopolitical tensions, as the macro and micro economic conditions have improved, market sentiment has warmed, and property sales activities have increased. In the beginning of 2023, transaction volume of the new home properties rose for three months in a row. Since developers slowed down the pace of new launches in 2022, it is reasonable to expect that they will put more projects on the market in 2023, while the secondary home market has turned active as well. Home prices are believed to have bottomed out and picked up slightly after the border reopening. Coupled with the government reducing the ad valorem stamp duty for small and mid-sized residential properties, the Group expects home sales activities in 2023 to be higher than that of 2022. However, the overall economy and property market may need some time to recover back to the pre-pandemic level.

### Appreciation

I would like to give my sincere thanks to our board members and staff for their tireless efforts to weather the difficulties in the face of endless challenges and would like to take this opportunity to express my appreciation to our shareholders and customers for their enduring support for the Group. The year of 2023 marks the 50th anniversary of Midland Realty. Throughout the years, the Group has rooted firmly in Mainland China, Hong Kong and Macau and we are committed to offering quality services to our customers and citizens. Going forward, the Group will stay united as one to create a brighter tomorrow.

**WONG Kin Yip, Freddie**

*Chairman*

Hong Kong, 28 March 2023

## Strategic Review and Planning

### **Double Whammy: Weak Property Market and Surging Costs**

In 2022, the Hong Kong property market was hit hard, with the number of residential property transactions dropping rapidly and significantly by nearly 40% year-on-year, while the Group's rental expenses remained high. Despite the Group's all-out effort in asking landlords for rental concessions, the amount of savings was limited. Facing this tough operating environment, the Group reduced its operating costs through various initiatives and strived to elevate its market position. In the second half of 2022, the Group made adjustments to the size of its payroll and the scale of its branch network so as to further improve the operation efficiency. Staff expenses were consequently reduced during the reporting period. Although the market was filled with challenges, the Group's frontline staff continually strived to deliver quality service. During the reporting period, Midland Realty, the Group's flagship business unit, continued to gain market share in the primary home market of certain strategic locations while the other business unit under the brand name "Hong Kong Property" secured exclusive rights to sell in some new projects and achieved good results.

The business environment of the Group's operations in Mainland China was particularly harsh. In 2022, affected by unfavorable factors such as Mainland China's implementation of stringent COVID-related measures, coupled with concerns about the unfinished primary projects and the gloomy economic outlook, the mainland property market was devastated. Yet, the management of the Group constantly improved the mainland operations and took big steps to restructure its mainland business.

The Group kickstarted the digital reform in 2016 which bore fruitful results. During the reporting period, both the number of VR (virtual reality) tour videos and property listing videos reached a historic high, and the promotional efficiency of digital advertising even increased fivefold. At the same time, the Group has been selected among the top ten constituent companies of the 2021-2022 Corporate Innovation Index compiled by the CUHK Business School. The Group is the only property agent company in the Index, which is undoubtedly a vote of confidence for the Group's platform innovation journey.

### **Proactively Move with the Times to Establish a Holistic Sales Platform**

Midland Realty was established in 1973. This year marks the 50th anniversary of its establishment. To match customers' ever-evolving needs, apart from the core estate agency business, the Group has further expanded the scope of its business to include mortgage referral services, immigration consultancy services, education consultancy services, international property agency services and financial services. These property-related businesses can help strengthen the Group's core business. Also, the synergy among business units can be enhanced. For example, after the Group's immigration division helping the mainland elites set foot in Hong Kong, the education division of the Group can provide professional advice on studying in Hong Kong or abroad for their children. Then, these clients may choose to use the Group's estate agency services in buying or renting properties. And these comprehensive services can bring multiple benefits to the Group. In the near future, the Group will devise more business initiatives to boost cooperation among various business units and the synergy will offer comprehensive one-stop professional service. And the Group also plans to increase the recruitment of more New Hong Kongers so as to meet with the demand of the mainland clients.



## Strategic Review and Planning

### Understanding Customers' Preference to Match Their Demands

As large infrastructure projects such as the South Island line, the Tuen Ma line, the extension of the East Rail Line, and the Tseung Kwan O Cross Bay Link were completed, Hong Kong's infrastructure has been improved substantially. The mobility of the local home seekers is expected to grow continuously. Thus, the closing of some branches in the second half of 2022 was not just a cost-saving exercise, but also a strategic move. The Group believes that the three-year pandemic, the improvements in the transportation system and the two rounds of mortgage requirements loosening have reshaped the landscape of the property market. The Group will keep reviewing the branch locations to further match its customers' demands and capture business opportunities. In addition, the Group will further encourage cross-district referrals by gearing up the sales training and internal communications. The Group has been using big data analysis to understand customers' preferences while enhancing its online offerings and adding new features to its digital platform to enrich customers' experience. Meantime, the Group will strive to train the sales force to be tech savvy. Deeply rooted in Hong Kong for decades, Midland Realty is pleased to make every effort to contribute to the revival of Hong Kong's economy. One of the most important drivers for the economic normalisation is the full recovery of the aviation industry, and exclusive offers have been made by Midland Realty to the staff of Cathay Pacific.

### Value Staff and Fulfill Social Responsibilities

The Group highly values and always takes good care of its staff. During the pandemic, the strong supports ranging from flexible working hours, work from home arrangement, to COVID-prevention resources etc. won acclaim from the staff. Due to poor market conditions and emigration, the number of licensed estate agents in Hong Kong dropped by approximately 2.3% year-on-year in 2022, the first decline in three years. The Group believes that maintaining good relationship with its staff can give it an advantage in retaining and recruiting talents. Despite the numerous challenges on the horizon, the Group will build up its talent pool to support its long-term business goals and development.

#### **WONG Ching Yi, Angela**

*Deputy Chairman and Managing Director*

Hong Kong, 28 March 2023

## 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 73, 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 49 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 Legend Upstar Holdings Limited (formerly known as Midland IC&I Limited) (“Legend Upstar”) (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.

## Profile of Directors

### **Ms. WONG Ching Yi, Angela**

aged 42, has been an Executive Director of the Company since 2008 and was appointed as the Deputy Chairman and the Managing Director of the Company since 2011 and 2014 respectively. Ms. WONG joined the Group in 2005. 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 Legend Upstar.

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 Hong Kong Metropolitan University.

Ms. WONG is the daughter of Mr. WONG Kin Yip, Freddie, the Chairman, Executive Director and controlling shareholder of the Company.

### **Mr. WONG Tsz Wa, Pierre**

aged 59, 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 34 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 Legend Upstar since 2018.

### **Mr. CHEUNG Kam Shing**

aged 59, 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 37 years of solid experience in the real estate agency business. Mr. CHEUNG has served the Group for 31 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.

## Profile of Directors

### Independent Non-Executive Directors

#### Mr. HO Kwan Tat, Ted

aged 58, 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 Legend Upstar 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 59, 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 36 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 66, 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 39 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 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 2022.

## 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.

The Company recognises the importance of Board independence in upholding good corporate governance and has in place a written mechanism for ensuring independent views and input are available to the Board. Such mechanism aims to ensure that the Directors may seek independent legal, financial or other professional advice from advisors independent of those advising the Company as and when necessary in appropriate circumstances so as to enable them to discharge their responsibilities, either on the Company’s affairs or in respect of their fiduciary duties or other duties, at the Company’s expense. The Company has established channels through formal and informal means whereby Independent Non-Executive Directors could express their views in an open, candid and confidential manner, should circumstances require. These include dedicated meeting sessions between the Chairman of the Board and the Independent Non-Executive Directors, and interaction between management and other Board members including the Chairman of the Board outside the boardroom. The Board has reviewed and is satisfied with the implementation and effectiveness of such mechanism.

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.

### (ii) Board Composition

The Board currently comprises seven Directors with four Executive Directors and three Independent Non-Executive Directors. As at the date of this Annual Report, 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 “Profile of Directors” on pages 15 to 17 of this Annual Report.



## Corporate Governance Report

### Board of Directors (Continued)

#### (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. The Chairman of the Company 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 16 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 2022, the Board held four regular 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 meeting are set out on page 24 of this Annual Report.

#### (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 2022 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 of the Company. 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 has served more than nine 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.

## Corporate Governance Report

**Board of Directors (Continued)****(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.

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

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

**Board Committees**

The Board has established Board committees, including the Executive Committee, the Audit Committee, the Remuneration Committee, the Nomination Committee and the 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. 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. The Board reserves the power to make broad policy decisions and approve important corporate actions. As at the date of this Annual Report, the Executive Committee comprises four Executive Directors as members, namely Mr. WONG Kin Yip, Freddie, Ms. WONG Ching Yi, Angela, Mr. WONG Tsz Wa, Pierre and Mr. CHEUNG Kam Shing.

## Corporate Governance Report

### Board Committees (Continued)

#### (ii) Audit Committee

The Audit Committee was established on 4 August 1998. The written terms of reference of the Audit Committee are published on the websites of the Company and the Stock Exchange. The Audit Committee 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 Audit Committee held two meetings in 2022. During the year, the Audit Committee reviewed the interim and annual reports with relevant announcements and financial statements, considered the reports from PricewaterhouseCoopers on the interim review of the financial information and the annual audit of the financial statements, reviewed the audit strategy, work scope, quality, fees and terms of engagement for audit and non-audit services from the external auditor and assessed its independence, recommended to the Board the re-appointment of PricewaterhouseCoopers as the auditor based on its review and assessment, reviewed the internal audit report and the report on risk management and monitored the implementation of the recommended actions as well as the effectiveness of the internal control and risk management systems, approved the internal audit plan, and reviewed 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 as well as those relating to the environmental, social and governance of the Group. 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 2022, 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.

## Corporate Governance Report

**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 one meeting in 2022. 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. The principal role and responsibilities of the Remuneration Committee include reviewing and recommending 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, and reviewing the remuneration policy for Directors from time to time.

There was no matter relating to the share scheme of the Company that was reviewed and/or recommended to the Board by the Remuneration Committee during the year ended 31 December 2022.

The remuneration of the members of the senior management, being the Executive Directors, by band for the year ended 31 December 2022 is set out below:

Remuneration bands	Number of individuals
HK\$2,000,001 – HK\$2,500,000	1
HK\$4,500,001 – HK\$5,000,000	1
HK\$8,500,001 – HK\$9,000,000	2

Details of Directors' emoluments and other remuneration related matters 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.

## Corporate Governance 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 Nomination Committee held one meeting in 2022. 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 implementation and effectiveness of the board diversity policy, made recommendation to the Board for approval on renewal of terms of appointment of Directors.

The principal role and responsibilities of the Nomination Committee include formulating and reviewing the nomination policy, making recommendations to the Board on the nomination, appointment and re-appointment of Directors and Board succession, 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 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 and revised in December 2022. 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 and the Company's nomination policy. 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 Company maintained, and is committed to maintaining, a gender diversity with at least one female representative at Board level. The Nomination Committee is of the view that the current composition of the Board has achieved the objectives set in the board diversity policy. The Board is satisfied with the review on the implementation and effectiveness of the board diversity policy.

Details on the gender ratio in the workforce (including senior management) of the Group, together with relevant data, are set out in the section "Environmental, Social and Governance Report" on page 49 of this Annual Report. The Company will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness.



## Corporate Governance Report

## Board Committees (Continued)

## (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 2022. 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 Meeting

The attendance records of the individual Directors at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Committee and the general meeting for the year ended 31 December 2022 are set out as follows:

Directors	Board	Number of Meetings Attended/Held				Risk Committee (Note)	Annual General Meeting
		Audit Committee	Remuneration Committee	Nomination Committee			
<b>Executive Directors</b>							
Mr. WONG Kin Yip, Freddie (Chairman)	4/4	N/A	1/1	1/1	N/A	1/1	
Ms. WONG Ching Yi, Angela (Deputy Chairman and Managing Director)	4/4	N/A	1/1	1/1	N/A	1/1	
Mr. WONG Tsz Wa, Pierre (Managing Director)	4/4	N/A	N/A	N/A	2/2	1/1	
Mr. CHEUNG Kam Shing	4/4	N/A	N/A	N/A	N/A	1/1	
<b>Independent Non-Executive Directors</b>							
Mr. HO Kwan Tat, Ted	4/4	2/2	1/1	1/1	N/A	1/1	
Mr. SUN Tak Chiu	4/4	2/2	1/1	1/1	N/A	1/1	
Mr. WONG San	4/4	2/2	1/1	1/1	N/A	1/1	

Note: Other members of the Risk Committee are not Directors.

## Corporate Governance Report

### 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 2022.

### 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 64 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 2022 and of the Group’s results and cash flows for the year ended 31 December 2022. In preparing the consolidated financial statements for the year ended 31 December 2022, 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 2022 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.

## Corporate Governance Report

## Auditor's Remuneration

For the year ended 31 December 2022, 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	
	2022	2021
	HK\$'000	HK\$'000
<b>Services rendered for the Group</b>		
Audit services	2,077	2,427
Interim results review	573	573
Other non-audit services (tax and other professional services)	193	304
Total fees	<u>2,843</u>	<u>3,304</u>

## 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.

## Corporate Governance Report

### Risk Management and Internal Controls (Continued)

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 2022 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 2022 as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions, as well as those relating to the Group's ESG performance and reporting.

### 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 C.6.1 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 comply with disclosure obligations under the Listing Rules and other applicable laws and regulations, and that shareholders of the Company and other stakeholders (including potential investors) are provided with balanced and relevant information about the Company. The shareholders' communication policy of the Company is reviewed by the Board annually. It aims to promote effective communication with the shareholders and other stakeholders of the Company, encourage shareholders to engage actively with the Company, and enable shareholders to exercise their rights as shareholders effectively.

The Company shall publish its corporate communication which includes annual and interim reports, circulars, announcements and other documents, on the Stock Exchange's designated website in a timely manner as required by the Listing Rules. To foster effective communications with shareholders and investors, the Company maintains a website at [www.midland.com.hk](http://www.midland.com.hk) where any information or documents of the Company posted on the Stock Exchange's designated website shall also be published on the Company's website. Other corporate information of the Company is also available on the Company's website.

**Corporate Governance Report****Communication with Shareholders and Investor Relations (Continued)**

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 annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its shareholders. Shareholders are encouraged to participate in general meetings or to appoint proxies to attend, speak and vote at the meetings for and on their behalf if they are unable to attend the meetings. The Chairman of the Board, other Board members, the chairmen of the Board committees and/or their delegates attend the annual general meeting and special general meeting (if any) to answer shareholders' questions. The external auditor of the Company is also required to attend the annual general meeting to answer questions about the conduct of audit, the preparation and content of the auditor's report, the accounting policies and auditor independence. The Company shall provide shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable shareholders to make an informed decision on the proposed resolution(s). 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.

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. The Company would ensure that shareholders will be given sufficient notice of the general meetings, at least 21 clear days' notice in the case of an annual general meeting and any special general meeting at which the passing of a special resolution is to be considered and at least 14 clear days' notice in the case of all other special general meetings in accordance with the bye-laws of the Company.

The 2022 annual general meeting of the Company was held on 21 June 2022. 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 2022 annual general meeting and had effective communication with shareholders of the Company.

Having considered the multiple channels of communication and engagement in place, the Board conducted a review of the implementation and effectiveness of the shareholders' communication policy and is satisfied that such policy has been properly implemented during the year and is effective.

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 "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 enquiries 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 to the Company written enquiries and their views on various matters affecting the Company for the attention of the Company Secretary or 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 at [investor@midland.com.hk](mailto: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 property market situation 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 in the property market. It offered professional and valuable information to the market, helping the public to keep abreast of the property market.



## Diversified recognition activities for the "Elite Club"

With the pandemic subsiding, Hong Kong's economic activities have gradually returned to normal, and large-scale performances and exhibitions are reopping up again. The Elite Club of Midland Realty was also among the first to organize activities, which included holding a "Welcome Dinner" to reward our elite staff for their hard work with delicious food, and participating in the NFT art exhibition Meta Nostalgia, where Mr. Victor Wong Wang Tat, a Golden Award-winning creator, has elaborated on the exhibition in person, helping our elite staff to gain an in-depth understanding of the new trends of NFT.



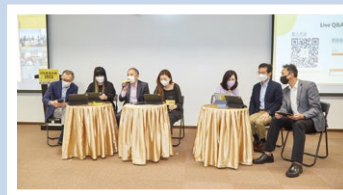
## Producing quality programs and seminars on property market to educate the public

With the principle of "understanding before investing", the Group produced a large number of programs about property market on its own online channel, 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.



## Holding Town Hall Meeting to strengthen internal communication

The Group understands that talents are the cornerstone of corporate development, and therefore spares no effort to create a relaxed and pleasant working environment. We have held two Town Hall Meeting for management to personally explain the Company's policies and development direction to colleagues, to enhance transparency and collect employees' opinions for welfare improvement. We have also launched a series of "Midland, We Care" activities, which include regular distribution of fruits and festive foods, festive dinners and celebrations, and searching for discounts on different everyday goods, to take care of their physical and mental health.



## Corporate Social Responsibility Report



### Clinching the “Caring Company” recognition for 19 consecutive years by actively fulfilling social responsibilities

The Group is dedicated to giving back to the community. Apart from mobilising our colleagues to participate in various volunteer activities to assist of underprivileged groups such as the 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 19 consecutive years in recognition of its unremitting effort in fulfilling its social responsibilities.

### Fighting against the pandemic together with people from all walks of life

Facing the shortage of supplies due to the global impact of the pandemic, Midland demonstrated its “Caring” spirit and joined hands with various charitable organisations to send supplies and care to those in need, including donations to the Hospital Authority and to provide subsidy to frontline medical staff for hotel accommodation enabling them to fight the pandemic without worries. In addition to purchasing 5,000 sets of rapid antigen test kits for The Lok Sin Tong Benevolent Society, Kowloon, we also donated to Share For Good to purchase food or fast food restaurant coupons for the underprivileged, to assist to the needy.



### Enhancing protective measures to help staff work with peace of mind

In order to protect the safety and health of its staff and customers, Midland’s anti-pandemic team has formulated a series of contingency mechanisms and pandemic prevention measures including providing sufficient anti-pandemic supplies to its staff. A total of 10,000 “portable pandemic prevention kits,” including disposable shoe covers, disposable gloves, disinfectant wipes, and alcohol-based hand gel, have been distributed to frontline staff to disinfect their hands and wear the shoe covers during property tours, to enhance protection and maintain environmental hygiene, helping customers feel more at ease and safe during property tours.



### Winning the “Happy Company” title for seven consecutive years

The Group adheres to the people-oriented principle while being committed to the spirit of caring. Over the years, the Group has strived to promote work-life balance through various activities and build a quality and pleasant working environment with our staff. The Group has won 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 seven consecutive years in recognition of the Group’s commitment to building a harmonious and friendly working environment with staff.







### Committing to environmental governance with numerous honours and awards obtained

Under its commitment to increasing transparency and regulation in governance and continuous contribution to environmental protection, the Group’s achievements have been recognised by various institutions. We obtained various awards and honours, including the Gold Award under the “Special ESG Awards – Outstanding ESG Performer of the Year (Listed Company)” in the “ESG Achievement Awards 2021/2022”, which recognised the Group’s efforts and excellent performance in promoting ESG and sustainable development.

### Supporting “Project WeCan” for nine 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 9 consecutive years, the Group continued to offer comprehensive assistance to its partner school, HKSKH Bishop Hall Secondary School and sent representative to participate in the annual premier event “Shape Our Future: WeCan – Project WeCan Career Exploration Day 2022/23”. Through a series of activities, more than 1,500 students from 24 schools were able to gain a better understanding of the real estate agency industry in online and workshop formats, equip themselves in advance and prepare well for their future careers.



### Organising activities to encourage staff to care for the society

Midland is devoted to various charitable causes and upholds corporate values of caring for society by actively cooperating with different organisations to develop the future pillars of society, and by organising various activities to encourage staff to give back to the community, including Chinese New Year foods collection campaign to encourage staff to donate excess, unopened gift boxes and dried foods after Chinese New Year, which were given to “Food Grace” to redistribute to grassroot families; and participation of Pastel Nagomi Art Experience classes held by St. James’ Settlement to help children express their creativity through pastel painting and relieve their academic pressure.



### Receiving more recognition for its efforts in environmental protection and energy conservation

The Group places great importance on environmental protection and spared no effort in promoting sustainable development. As a result, the Group earned huge recognition from society and won multiple awards, including the Wastewi\$e Certificate – Good Level and the Energywi\$e Certificate issued by the Hong Kong Green Organisation Certification, and the “ISO 14064-1:2018” Greenhouse Gases Inventory Certificate issued by the International Organisation for Standardisation in recognition of its contribution to environmental protection.



### Awarded “Best Performance of School-Company Partnership” by Young Entrepreneur Development Council

The Group is fully committed to fulfilling its social responsibilities by helping young people develop their entrepreneurial spirit and be active in presenting their skills and capabilities. The Group was once again awarded the “Best Performance of School-Company Partnership” by Young Entrepreneur Development Council” under “School-Company-Parent Program”, thereby setting an excellent model for the industry.



## Corporate Social Responsibility Report



### Holding short video contest in collaboration with Matterport

Founded for almost half a century, Midland has been committed to helping Hong Kong people realise their dreams of settling down and purchasing properties. To encourage young people to pursue their dreams and showcase the new face of the Hong Kong community, Midland, in collaboration with Matterport and Property.hk, organised a short video contest named “Check-in Your Dream!”, where young people are encouraged to share their journey of pursuing dreams in short video form. Apart from receiving a substantial prize money, the gold medal winner will also receive a job contract to showcase his or her talents. In addition, a donation will be made to the YMCA to support the development of young people.

### Consecutive Accolades from the EAA

Midland's committed efforts to protect the environment and raise the industry's professional standards have won us multiple recognition from the Estate Agents Authority (EAA). The Group became the property agency group with the most winning branches in the “Estate Agents Energy Saving Award Scheme”. We were also awarded the CPD Mark for Estate Agencies of the Year by the EAA, winning the most awards in the industry for two consecutive years. Those awards again reaffirm the Group's efforts in leading the industry towards greater professionalism.



### Joining the Lifeline Express Charity Walk 2022 to raise funds for the hospital

Midland is passionate about public welfare work, and has been supported the “Lifeline Express” activities organized for many years. Midland once again sent a volunteer team to participate in the “Lifeline Express Charity Walk 2022”. The group of frontline elites participated in raising funds for the “Lifeline Express” Train Hospital to help poor cataract patients in Mainland China and bring light to them.



### Receiving “Partner Employer Award” for the 8th year

Upholding the principle of “Nurturing Talents”, the Group is committed to providing internship and job opportunities to local students and graduates to gain more working experience and be better prepared for their future careers. Hence, it has received the “Partner Employer Award” from The Hong Kong General Chamber of Small and Medium Business for the 8th consecutive year as the recognition of its contribution to nurturing the next generation and giving back to society.



# 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 2022 to 31 December 2022. 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](mailto: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.



## Environmental, Social and Governance Report

### 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.

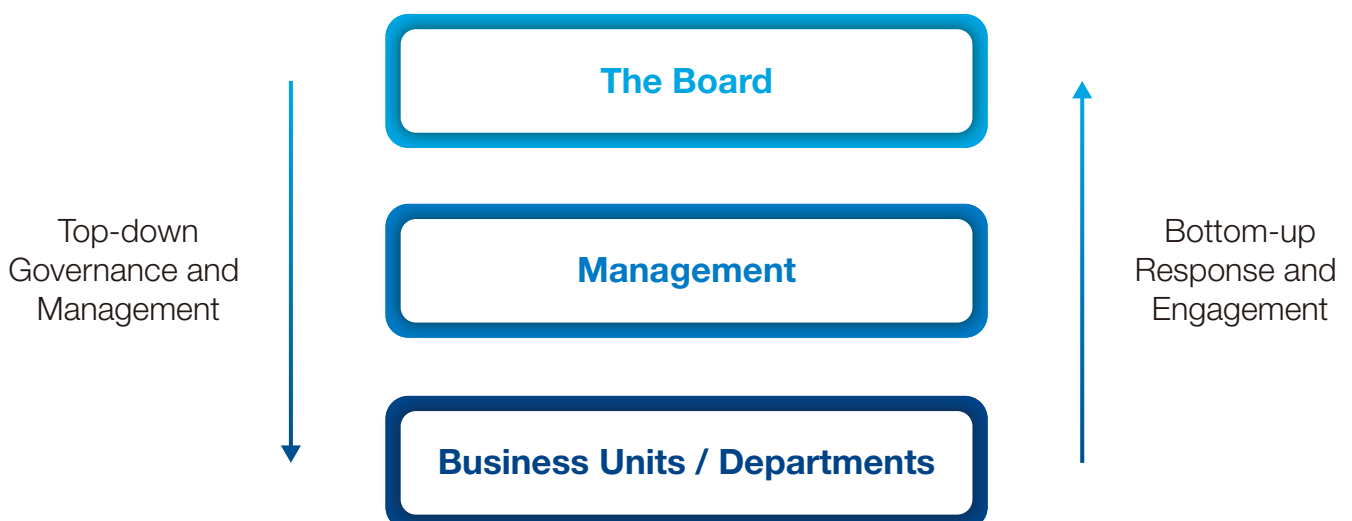
The Board regularly evaluates and determines our ESG related risks and ensures that appropriate and effective ESG risk management and internal control systems are in place. The Board has regular meetings and discussions on the effectiveness of these systems as well as progress made against relevant ESG-related 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.

#### Sustainability Governance

To systematically consolidate the sustainability concept of the Group, the Group establishes a governance structure on sustainable development in order to promote the implementation of ESG governance works in a progressive manner. The Board, as stewards of ESG management of the Group, is ultimately accountable for the performance of ESG-related issues through establishing goals and targets and reviewing the performance on a regular basis. The Board provides oversight of the risk management framework and sustainability strategy in achieving long-term sustainability goals and promoting a sustainable development culture at all levels.

Management directly reports to the Board and is responsible for initiating, driving, and monitoring sustainability policies and practices. Management strives to maintain good communication with the Board to provide constructive recommendations regarding the emerging ESG trend and industrial best practices, improving the Group's resilience in addressing ESG issues. In alignment with the Group's ESG dedication, our management level ensures that sustainability elements are considered when proposing, designing and implementing new protocols and overseeing the implementation process through reviewing policies and gathering feedback from stakeholders.

#### ESG Governance Structure



## Environmental, Social and Governance Report

### Our ESG Management (Continued)

#### 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.

The Group commits to providing training for our frontline and back-office staff to ensure a thorough understanding of the code of ethics and compliance requirements in the property agency industry. As a responsible and ethical business, we understand the importance of upholding high standards of conduct and compliance. Our training programme is designed to instill in our employees the knowledge and skills necessary to adhere to the standard and maintain our reputation as a trustworthy organisation and to benefit our customers. We provide training covering business ethics issues, such as code of ethics, anti-money laundering, discrimination ordinances and protection of personal data. In addition, to enhance employees' awareness on anti-corruption practices, we invited 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 non-compliance in our operation practices.

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 2 concluded legal cases regarding corrupt practices brought against the employees of the Group and had been convicted.

## Environmental, Social and Governance Report

### 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:

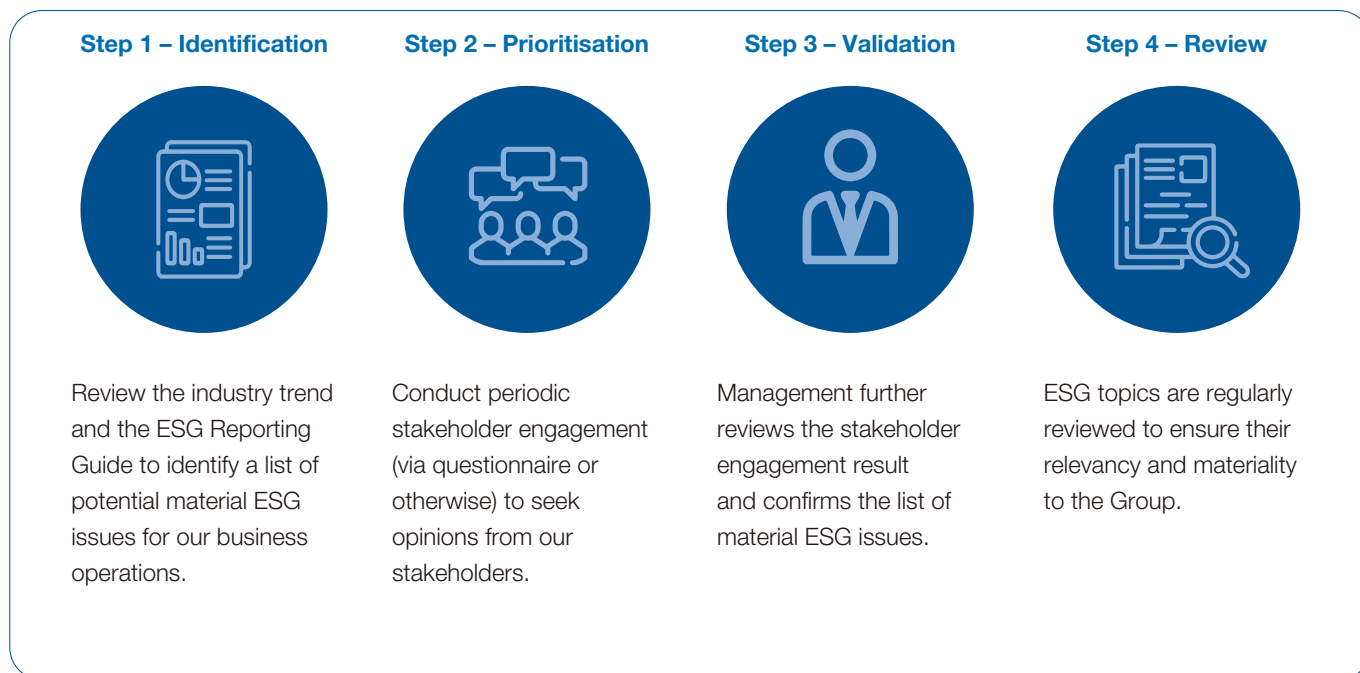
Stakeholder Group	Engagement Channel
Management and Employees	<ul style="list-style-type: none"> <li>• Townhall meeting</li> <li>• Monthly meetings</li> <li>• Intranet forum</li> <li>• Internal circulars</li> <li>• Grievance channels stated in Staff Handbook</li> <li>• Questionnaire</li> </ul>
Investors	<ul style="list-style-type: none"> <li>• Annual general meeting</li> <li>• Annual and interim reports</li> <li>• Corporate website</li> <li>• Investor circulars</li> <li>• Questionnaire</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Regular supplier review</li> <li>• Meetings</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Social media</li> <li>• Corporate website</li> <li>• Questionnaire</li> <li>• Customer service hotline</li> <li>• Live chat services (Midland Live Chat and Midland Agent Chat)</li> </ul>
Community Partners/ Non-governmental Organisations (NGOs)	<ul style="list-style-type: none"> <li>• Community programme collaboration</li> <li>• Voluntary services</li> <li>• Ad hoc sponsorship projects</li> </ul>
Media	<ul style="list-style-type: none"> <li>• Press release</li> <li>• Interview</li> <li>• Press conference</li> <li>• Mobile application for communication</li> <li>• Leisure engagement events</li> </ul>

## Environmental, Social and Governance Report

## 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:



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.

## Environmental, Social and Governance Report

### 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
<b>Anti-corruption and Ethical Business Operation</b>	
– Anti-corruption	Ethical Business Operation
– Anti-competition	Ethical Business Operation
– Ethical business compliance	Ethical Business Operation
<b>Product and Service Responsibility</b>	
– 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
<b>Employment and Labour Standards</b>	
– 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
<b>The Environment</b>	
– Employee environmental awareness	Employee Environmental Awareness
– Environmental compliance	Environmental Management
<b>Our Community</b>	
– Community investment	Our Community



## Environmental, Social and Governance Report

### 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 allow 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. 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.

#### 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 is 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.

## Environmental, Social and Governance Report

### Our Customers (Continued)

#### 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, 36 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<sup>1</sup>. 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 depend 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 harassment.

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 regularly, 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 or otherwise. We also put in place internal grievance channels which are outlined in the Staff Handbook.

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 irregularly. 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.

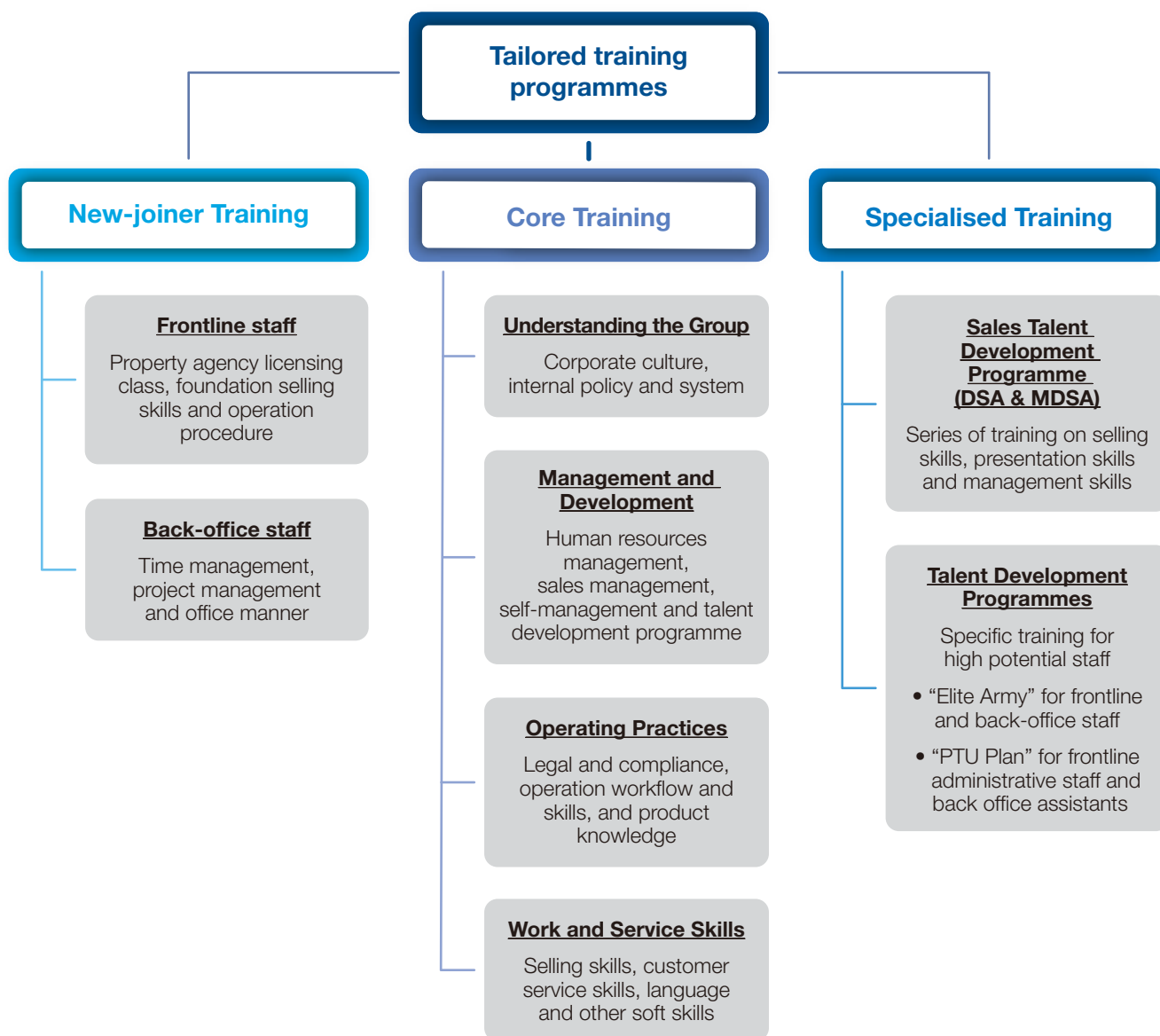
The Group commits to upholding human rights and strictly prohibits the use of child labour and forced labour as stated in our guidelines for employing new hires. In 2022, we did not discover such practices in our operation.

<sup>1</sup> 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)

### Training and Development

As our employees are the Group’s greatest human capital, we make a great effort in nurturing our employees while also offering opportunities for professional and personal advancement. We set up 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 built. For instance, we have tailored training programmes for both frontline and back-office staff respectively.



A digital learning management system was developed to give flexibility to our employees to receive training at anytime and anywhere through a computer or electronic devices. 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.

## Environmental, Social and Governance Report

### Our Employees (Continued)

#### Training and Development (Continued)

Our effort in providing training to frontline staff is also externally recognised. The Group has been granted the accolade of Manpower Developer 1st for 10 consecutive years and was acknowledged as a “Super MD” by the Employees Retraining Board. Meanwhile, a total of 202 branches have obtained the CPD Mark for Estate Agencies from the Estate Agents Authority for the year 2022, ranking first among property agency companies.

Apart from internal training programmes, we subsidise our staff to join the external training, professional certificates and examinations. As such, our employees could keep pace with the market benchmark and pursue professional development courses of their choice. This helps encourage employees to pursue new expertise and undertake life-long learning. Moreover, we tailor-made the professional estate agent certification programme for our frontline staff to enhance their capability in conveyancing, tax and mortgage loans, customer services. Staff who complete the specific series of training courses and fulfil relevant KPIs 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.

To encourage our staff in search of excellence, we establish a clear career advancement path. Promotion criteria are clearly outlined in our Staff Handbook. The mid-year and annual appraisals are 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 discuss with their supervisor regarding the appraisal result and establish targets for the upcoming year. We also prioritise the internal promotion of staff when there is a vacancy in a job position based on qualifications, job performance, competency and recommendations from the supervisor or management.

#### Occupational Health and Safety

The Group cares about employees’ health and safety at work. We conform to 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 is provided to further educate our employees and prevent the occurrence of workplace injuries.

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.

## Environmental, Social and Governance Report

### Our Employees (Continued)

#### Occupational Health and Safety (Continued)

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 three years ended 31 December 2022, 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 by 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 an annual greenhouse gas report in accordance with ISO14064-1:2018 standard. The report offers insights on potential improvement areas to further reduce our emissions. It was also externally verified to ensure data accuracy.

The majority of the greenhouse gas emissions of the Group have 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.

## Environmental, Social and Governance Report

### Our Environment (Continued)

#### Climate Change and Energy Conservation (Continued)

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 threat 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 on our operations and make respective enhancements to ensure and maintain our business operation under these extreme weather events or disruptions. The Board will monitor the risks and opportunities that arise from climate change on an 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 online and digital platforms, paper waste remains the major type of waste 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 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 (Good 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.

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, Social and Governance Report

## Our Environment (Continued)

## Environmental Performance Data Summary

	Unit	Performance in 2022	Performance in 2021
<b>Energy consumption</b>			
Total electricity consumption	kWh	8,485,195.98	8,879,032
Energy intensity	GJ/employee	5.72	5.25
<b>Greenhouse gas (GHG) emissions<sup>1</sup></b>			
Direct emissions (Scope 1) <sup>2</sup>	tonnes of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e)	0	0
Energy indirect emissions (Scope 2) <sup>3</sup>	tCO <sub>2</sub> e	4,026.41	4,099.30
GHG emission intensity	tCO <sub>2</sub> e/employee	0.75	0.67
<b>Water consumption<sup>4</sup></b>			
Total water consumption	cubic meter (m <sup>3</sup> )	5,859.47	8,455
Water intensity	m <sup>3</sup> /employee	1.10	1.39
<b>Waste management<sup>5</sup></b>			
Fluorescent tube disposed	pieces	1,004	1,327
Electrical appliances/components disposed	pieces	911	1,093
Electrical appliances/components recycled	pieces	7	320
Paper recycled	kg	15,065	10,675

## Notes:

- <sup>1</sup> 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 to 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.
- <sup>2</sup> Direct GHG emission (Scope 1) is generated from refrigerant consumption by water dispensers in our head offices. Refrigerant consumption is insignificant in our offices and branches, thus data is not collected for disclosure.
- <sup>3</sup> Indirect GHG emission (Scope 2) is generated from electricity consumption by our head offices and branches.
- <sup>4</sup> Water consumption covers branch operation only. Water consumption in our head offices is insignificant, thus data is not collected for disclosure.
- <sup>5</sup> 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 134 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 2022, all our suppliers operate in Hong Kong.

## Environmental, Social and Governance Report

### Our Supply Chain (Continued)

#### 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 impacts 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.

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 HK\$905,000 and provided approximately 40 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 more than 15 consecutive years.

## Environmental, Social and Governance Report

### Our Community (Continued)

#### Combating COVID-19 together

In 2022, we have supported the Hong Kong's first large-scale crowd-donation platform "Share for Good", by donating HK\$200,000 to purchase food coupons through the platform and distributing them to those in need during the COVID-19 pandemic.

2022 has been a challenging year for us all, especially for the people working on the frontline to combat COVID-19 and the vulnerable people with little or no resources to fall back on. The Group acknowledged the urgent need for anti-pandemic and medical supplies during the year 2022. As a leader in the property agency industry, the Group has always been committed to helping and caring the vulnerable groups in Hong Kong. We understand that the homeless people are at high risk of being infected by COVID-19. To safeguard them from being infected, the Group donated 5,000 sets of rapid test kit to The Lok Sin Tong Benevolent Society, Kowloon through the Midland Charitable Foundation to support our local communities to survive the global pandemic. At the same time, we donated HK\$100,000 to the Hospital Authority, to subsidise hotel accommodation for the frontline medical staff and prevent their families from being infected with COVID-19.

#### Caring for Local Elderly Citizens

The local elderly citizens are one of the major target beneficiaries within the breadth of our community engagement. The Group sponsored a series of festive celebrations organised by the Pentecostal Church of Hong Kong, including the "Birthday Party for Post-90s Seniors". We are always looking to create 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.

The Group supported the "Project WeCan" campaign for 9 consecutive years to provide comprehensive support to our partner school, HKSKH Bishop Hall Secondary School. The "Career Exploration Day" workshops helped over 1,500 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. Besides, we also participated in the "Job Tasting Programme" organised by the "Project WeCan" in order to give students hands-on experience and a chance to explore their vocational choices, and a 2-week internship in the Group was offered to the participating students.

Besides, the Group supported the children's mental healthiness project organised by the WEMP Foundation. The program aims at connecting and empowering children, parents and schools, co-creating positive environments that support the flourishing of children and their families. An annual program fee of HK\$30,000 is required for each child. With a donation of HK\$120,000, the Group has supported 4 children in the year 2022.

#### Caring for Chronic Patients

The Group has always been passionate about philanthropy and has supported the Lifeline Express Hong Kong Foundation for 10 consecutive years to raise funds for the treatment of poor cataract patients in Mainland China. This year, Midland Charitable Foundation sponsored our staff to participate in the "Lifeline Express Charity Walk 2022", with the aim of encouraging them to stay "Physically Fit" while doing good deeds.

#### Protecting the Environment

The Group has always attached great importance to environmental protection and cared for the community. Therefore, the Group has cooperated with the environmental protection organisation "Food Grace" and set up recycling bins in each office to encourage employees to donate unopened New Year's gift boxes and dry goods after the Lunar New Year holiday to the organisation for donation to low-income families, with a view to reducing food waste and promoting green festive culture while sharing the joy with the grassroots.

## Environmental, Social and Governance Report

## Social Performance Data Table

	Unit	Performance in 2022	Performance in 2021
<b>Employee Profile<sup>1</sup></b>			
Total workforce <sup>2</sup>	No. of people	5,341	6,094
<i>Total workforce by employment type</i>			
Full-time	No. of people	4,994	5,701
Part-time	No. of people	347	393
<i>Total workforce by gender<sup>3</sup></i>			
Male	No. of people	2,770	3,116
Female	No. of people	2,224	2,585
<i>Total workforce by age group<sup>3</sup></i>			
18–29	No. of people	702	1,075
30–50	No. of people	2,755	3,025
Above 50	No. of people	1,537	1,601
<i>Total workforce by geographic location<sup>3</sup></i>			
Hong Kong	No. of people	4,994	5,701
<b>Employee Turnover</b>			
Total employee turnover rate <sup>4</sup>	%	52%	54%
		(Frontline: 54%)	(Frontline: 57%)
		(Back office: 32%)	(Back office: 20%)
<i>Employee turnover rate by gender<sup>4</sup></i>			
Male	%	48%	50%
Female	%	58%	60%
<i>Employee turnover rate by age group<sup>4</sup></i>			
18–29	%	92%	86%
30–50	%	45%	47%
Above 50	%	45%	46%
<i>Employee turnover rate by geographic location<sup>4</sup></i>			
Hong Kong	%	100%	100%

## Notes:

- <sup>1</sup> The number of employees only covers the in-scope business operations as described under the section headed "Reporting Scope and Boundary".
- <sup>2</sup> The total workforce includes senior management of the Company.
- <sup>3</sup> Only full-time employees are calculated in the breakdown by gender, age group and geographic location.
- <sup>4</sup> 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%.

## Environmental, Social and Governance Report

## Social Performance Data Table (Continued)

	Unit	Performance in 2022	Performance in 2021
<b>Development and Training</b>			
Total workforce trained <sup>5</sup>	No. of people	6,607	7,524
<i>Percentage of employees trained by gender</i>			
Male	%	53%	53%
Female	%	47%	47%
<i>Percentage of employees trained by employee category</i>			
General staff	%	89%	89%
Managers	%	9%	9%
Management	%	2%	2%
<i>Average training hours per employee by gender</i>			
Male	Hours/employee	15.62	16.02
Female	Hours/employee	16.18	16.83
<i>Average training hours per employee by employee category</i>			
General staff	Hours/employee	15.67	16.25
Managers	Hours/employee	17.76	17.94
Management	Hours/employee	17.29	15.82
<b>Occupational Health and Safety</b>			
Lost day due to work injury <sup>6</sup>	No. of days	681	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 (2022).	
<b>Supply Chain Management</b>			
Number of suppliers by geographic location			
Hong Kong China	No. of suppliers	134	125

## Notes:

<sup>5</sup> The total of workforce trained includes employees who left the Group during the reporting year.

<sup>6</sup> The lost day is calculated based on sum of the number of days that the employee cannot attend to work due to work injuries.

## Environmental, Social and Governance Report

## Our ESG Awards

## Awards for Environmental Performance

Organiser	Award and Recognition
ESG Achievement Awards	2021/2022 Outstanding ESG Performer of the Year (Listed Company)
Environmental Campaign Committee	Hong Kong Green Organisation
Environmental Campaign Committee	Energywi\$e Certificate - Good Level
Environmental Campaign Committee	Wastewi\$e Certificate - Good Level
The Environment and Ecology Bureau	Charter on External Lighting – 168 Branches Received the Platinum Award
Estate Agents Authority	Estate Agents Energy Saving Award Scheme – Grand Award – Bronze Award
Estate Agents Authority	Estate Agents Energy Saving Award Scheme – Grand Award – Gold Award
Estate Agents Authority	Estate Agents Energy Saving Award Scheme – 260 Branches Received the “Energy Saving Shop” Label



## Environmental, Social and Governance Report

## Our ESG Awards (Continued)

## Business Related Awards

Organiser	Award and Recognition
CUHK Business School	Top ten constituent companies of the "Corporate Innovation Index 2021-2022"
Marketing Magazine	DigiZ Awards 2022 – Best Engaging Campaign – Gold Best Phygital Experience – Gold Best Creative Use of AR/VR – Gold Best AI Solution – Silver Best Data Analytics Tool – Silver Best UI/UX Design – Bronze
Hong Kong Investor Relations Association	Best IR Company Best IR Team Best ESG (E) Best ESG (S) Best ESG (G) Best IR by Chairman/CEO Best IRO (Investor Relations Officer) Grand ESG Award
Marketing Magazine	Marketing Excellence Awards 2022 – Excellence in Mobile Marketing – Gold Excellence in Use of Technology – Gold Excellence in Customer Engagement – Silver Excellence in Innovation – Silver Excellence in Experiential Marketing – Silver Excellence in Customer Experience – Bronze

## Environmental, Social and Governance Report

### Our ESG Awards (Continued)

#### Business Related Awards (Continued)

Organiser	Award and Recognition
Young Entrepreneurs Development Council (YDC)	Excellent Business School Partner (“卓越商校夥伴”)
Hong Kong Customer Contact Association	Inbound Contact Centre of the Year – Silver Best Contact Centre in Omni-channel Deployment – Bronze
Hong Kong Commercial Times	HKCT Business Awards 2022 – Best Immigration Consultant
E-Zone	E-brand Awards – The Best Real Estate Agency O2O Platform
The Hong Kong Management Association	Distinguished Salesperson Award

#### Awards for Corporate Social Responsibility

Organiser	Award and Recognition
Promoting Happiness Index Foundation	Happiness at Work Promotional Scheme 2022 – Happy Company
The Hong Kong Council of Social Service	Awarded with “Plus Caring Company Logo” for 15 consecutive years or more
The Hong Kong General Chamber of Small and Medium Business	2022 Partner Employer Award – Excellent Enterprise Award (“卓越企業嘉許”)
The Hong Kong General Chamber of Small and Medium Business	2022 Partner Employer Award – Employment Recognition for Retaining Existing Employees (“保留現有僱員就業嘉許”)
The Hong Kong General Chamber of Small and Medium Business	2022 Partner Employer Award – Recognition for Additional Full-time or Part-time Employees (“增聘全職或兼職僱員嘉許”)

## Environmental, Social and Governance Report

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KPI A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	Environmental Performance Data Summary	46
KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Environmental Performance Data Summary	46
KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Environmental Performance Data Summary	46
KPI A1.5 Description of emissions target(s) set and steps taken to achieve them.	Climate Change and Energy Conservation	44-45
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	45
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KPI A2.1 Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	Environmental Performance Data Summary	46
KPI A2.2 Water consumption in total and intensity.	Environmental Performance Data Summary	46
KPI A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	Climate Change and Energy Conservation	44-45
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
<b>Aspect A3 The Environment and Natural Resources</b>		
General Disclosure	Environmental Management	44
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	45
<b>Aspect A4 Climate Change</b>		
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## Environmental, Social and Governance Report

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KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Social Performance Data Table 49-50
<b>Aspect B2 Health and Safety</b>		
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KPI B2.2	Lost days due to work injury.	Social Performance Data Table 49-50
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupational Health and Safety 43-44
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General Disclosure	Training and Development	42-43
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
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## Environmental, Social and Governance Report

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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	47
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	47
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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 2022.

## 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 38 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 31 December 2022 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 2022 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 2022 (2021: 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 10 to 12, the Strategic Review and Planning on pages 13 to 14 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 10 to 12 and note 4 to the consolidated financial statements on pages 99 to 107 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 34 to 56 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.



## Report of the Directors

### 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 18 to 29 of this Annual Report.

#### Compliance with the relevant laws and regulations

As one of the principal activities of the Group is 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 2022. 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.

## Report of the Directors

### Reserves

Details of the movements in the reserves of the Group and the Company during the year are set out in note 27 and note 36 to the consolidated financial statements respectively.

### Charitable Donations

During the year, the Group made charitable donations totalling HK\$905,000 (2021: HK\$1,483,000).

### 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 26 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 2022, the reserves of the Company available for distribution amounted to HK\$286,583,000 (2021: HK\$285,172,000).

### 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

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 2022.

## Report of the Directors

### Board of Directors

The Directors who held office during the year ended 31 December 2022 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

#### 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 Tsz Wa, Pierre, Mr. CHEUNG Kam Shing and Mr. SUN Tak Chiu 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 scheme 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 scheme of the Company are set out in the section headed "Share Option Scheme" in this report.

## Report of the Directors

### 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 representing approximately 5.007% of the issued shares of the Company as at the date of this Annual Report) 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 were 26,728,000 shares and 9,174,300 shares respectively (representing approximately 3.72% and 1.28% of the issued shares of the Company respectively as at 1 January 2022, 31 December 2022 and 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.

## Report of the Directors

**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 subject to such terms and conditions (including vesting period) as determined by the Board, 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.

The Company should comply with the new requirements under the amended Chapter 17 of the Listing Rules in respect of the matters of share options.

## Report of the Directors

## Share Option Scheme (Continued)

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

Name	Date of grant (Note 1)	Exercise price per share HK\$	Number of share options					Balance outstanding as at 31 December 2022	Exercisable period
			Balance outstanding as at 1 January 2022	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year		
<b>Directors</b>									
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	17 January 2020	1.09	4,587,150	-	-	-	-	4,587,150	17 January 2021 to 16 January 2028
			<u>9,174,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,174,300</u>	

## Notes:

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

Details of the above share options are also set out in note 26 to the consolidated financial statements.



## Report of the Directors

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

As at 31 December 2022, 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

Name of Directors	Number of ordinary shares	Number of underlying shares	Total	Approximate percentage of the issued voting shares of the Company
	Corporate interest/ Interest of controlled corporations	Personal interest/ Beneficial owner (Note 1)		
Mr. WONG Kin Yip, Freddie	265,525,824 (Note 2)	4,587,150	270,112,974	37.67%
Ms. WONG Ching Yi, Angela	–	4,587,150	4,587,150	0.64%

*Notes:*

- 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 Scheme" in this Annual Report.
- 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 2022, 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.

## Report of the Directors

## 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 2022, 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)	265,525,824 (L)	Interest of controlled corporation/ Corporate interest	37.03%
Sunluck Services Limited (Note 2)	265,525,824 (L)	Beneficial owner/Beneficial interest	37.03%
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

## Report of the Directors

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

#### Notes:

- Such interests comprise (i) 265,525,824 ordinary shares held 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 Scheme" 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.
- The two references to 265,525,824 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.
- 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.
- Such long position includes interests in ordinary shares only.

Save as disclosed above, as at 31 December 2022, 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 2022. 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 35 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 35 to the consolidated financial statements constitute exempt connected/continuing connected transactions.

## Report of the Directors

### 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 subsisted during the year for which the relevant announcement had been made by the Company in accordance with the Listing Rules.

1. A tenancy agreement was made on 11 July 2022 between Midland Corporate Leasing (XV) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Bright Eastern Limited, an indirect wholly-owned subsidiary of Legend Upstar Holdings Limited (formerly known as Midland IC&I Limited) (“Legend Upstar”), an associate of Mr. WONG Kin Yip, Freddie (the Chairman, Executive Director and substantial shareholder of the Company), as landlord. The landlord agreed to let the premises located at Shop No. 6 on Ground Floor, Cambridge Court, Nos. 84A-84H & 84J-84M Waterloo Road, Kowloon, Hong Kong for a term of two years from 15 July 2022 to 14 July 2024 (both days inclusive) at a monthly rental of HK\$98,000 with a rent-free period of one month. Details of which were disclosed in the announcement of the Company dated 11 July 2022.
2. A tenancy agreement was made on 18 March 2022 between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Teamway Group Limited, an indirect wholly-owned subsidiary of Legend Upstar, as landlord whereby the landlord agreed to let the premises located at the Whole of 21st Floor, Ford Glory Plaza, No. 37 Wing Hong Street, Kowloon, Hong Kong for a term of one year from 19 March 2022 to 18 March 2023 (both days inclusive) at a monthly rental of HK\$205,000 without rent-free period. Details of which were disclosed in the announcement of the Company dated 11 July 2022.

### 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 framework agreement (the “Cross Referral Services Framework Agreement (2021)”) was made on 8 February 2021 between the Company and Legend Upstar, 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 Legend Upstar and its subsidiaries (the “Legend Upstar Group”) to each other for a period of three years 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 Mainland China to the relevant members of the Legend Upstar Group from time to time, and the Legend Upstar Group may refer estate agency business in respect of residential properties in Hong Kong, Macau and Mainland China 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 Framework Agreement (2021), the annual caps for the referral fees paid/payable by the Group to the Legend Upstar Group for the period from 16 November 2020 to 31 December 2020, for two years ended 31 December 2021 and 2022 and for the period from 1 January 2023 to 15 November 2023 are HK\$10.0 million, HK\$50.0 million, HK\$50.0 million and HK\$40.0 million respectively, while the annual caps for the referral fees paid/payable by the Legend Upstar Group to the Group for the period from 16 November 2020 to 31 December 2020, for the years ended 31 December 2021 and 2022 and for the period from 1 January 2023 to 15 November 2023 are HK\$15.0 million, HK\$110.0 million, HK\$110.0 million and HK\$95.0 million respectively. Details relating to the Cross Referral Services Framework Agreement (2021) and the annual caps were set out in the announcement and the 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 Legend Upstar Group and (ii) by the Legend Upstar Group to the Group under the Cross Referral Services Framework Agreement (2021) for the year ended 31 December 2022 was approximately HK\$22.4 million and HK\$56.1 million respectively, which had not exceeded the respective cap value for that year.

## Report of the Directors

**Continuing Connected Transactions (Continued)**

2. A tenancy and licence framework agreement (the “Tenancy and Licence Framework Agreement (2019)”) 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, the Legend Upstar Group, as landlords) (the “Landlord Entities”) to members of the Group (as tenants and/or licensees) for a period of three years commencing from 19 September 2019 to 18 September 2022 (both days inclusive). The properties leased/licensed would 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, for the two years ended 31 December 2020 and 2021 and for the period from 1 January 2022 to 18 September 2022 are HK\$3.5 million, HK\$6.3 million, HK\$6.9 million and HK\$7.6 million, respectively. Details relating to the Tenancy and Licence Framework Agreement (2019) and the annual caps were set out in the announcement of the Company dated 23 October 2019. The total value of right-of-use assets relating to the tenancy agreements/licence agreements entered into by the Group for the period from 1 January 2022 to 18 September 2022 was approximately HK\$1.4 million, which had not exceeded the annual cap for the said period.
3. A tenancy and licence framework agreement (the “Tenancy and Licence Framework Agreement (2022)”) was made on 19 September 2022 between the Company and Mr. WONG Kin Yip, Freddie, the Chairman, Executive Director and substantial shareholder of the Company, which sought to renew the Tenancy and Licence Framework Agreement (2019). The Tenancy and Licence Framework Agreement (2022) sets out a framework of the terms and conditions governing the tenancy agreements/licence agreements under which relevant members of the Landlord Entities may let and/or grant licence of, and relevant members of the Group may take up the tenancy and/or licence of, the property(ies) legally and beneficially owned by members of the Landlord Entities from time to time, for a term of three years commencing from 19 September 2022 to 18 September 2025 (both days inclusive). The properties leased/licensed are used as branches and offices of the Group, car parks for staff of the Group, or for marketing and promotion of the property agency business of the Group, in each case in the ordinary and usual course of business of the Group. The annual caps for the period from 19 September 2022 to 31 December 2022, for the two years ending 31 December 2023 and 2024, and for the period from 1 January 2025 to 18 September 2025 are HK\$9.0 million, HK\$18.0 million, HK\$18.0 million and HK\$14.0 million, respectively. Details relating to the Tenancy and Licence Framework Agreement (2022) and the annual caps were set out in the announcement of the Company dated 19 September 2022. The total value of right-of-use assets relating to the tenancy agreements/licence agreements entered into by the Group for the period from 19 September 2022 to 31 December 2022 was approximately HK\$2.1 million, which had not exceeded the annual cap for the said period.

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.

## Report of the Directors

### Continuing Connected Transactions (Continued)

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 67 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.

### 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 2022 are set out in note 38 to the consolidated financial statements.

### Borrowings

Particulars of borrowings of the Group as at 31 December 2022 are set out in note 30 to the consolidated financial statements.

### Directors' Emolument Policy

The Company recognises the importance of a formal and transparent policy on determining the remuneration packages of Directors and other remuneration related matters, and adopted a remuneration policy for Directors which aims to ensure that remuneration packages of Directors are appropriate and sufficient to attract and retain high caliber Directors to run the Company successfully and that it aligns with the strategic business goals of the Company. To ensure that the Directors are appropriately remunerated, salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group would be considered. 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 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.



## Report of the Directors

### 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 Legend Upstar since October 2019 and is a controlling shareholder of Legend Upstar, and Ms. WONG Ching Yi, Angela held executive directorships in the Legend Upstar Group. The Legend Upstar Group is principally engaged in the provision of property agency services in respect of commercial and industrial properties and shops, properties investment, credit business and securities investment in Hong Kong.

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

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 2022 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, 28 March 2023

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Liquidity and financial resources

The Group mainly finances its business operations with its internal resources and various borrowing facilities.

As at 31 December 2022, the Group had cash and bank balances of HK\$450,666,000 (2021: HK\$1,505,527,000).

As at 31 December 2022, the interest-bearing borrowings of the Group amounted to HK\$228,236,000 (2021: HK\$687,000,000) and with maturity profile set out as follows:

	2022 HK\$'000	2021 HK\$'000
Bank borrowings repayable within 1 year (with repayment on demand clause)	54,600	687,000
Loans from related parties repayable after 1 year but within 2 years	173,636	–
	228,236	687,000

During the year ended 31 December 2022, the Group entered into loan agreements with Mr. WONG Kin Yip, Freddie (“Mr. WONG”), a director and the controlling shareholder of the Company, and a company of which Mr. WONG is the ultimate beneficial owner, to obtain financing in a total amount of approximately HK\$174 million on arm’s length terms with reference to prevailing market conditions. These loans are not secured by any assets of the Group and will mature in April 2024.

As at 31 December 2022, the net gearing ratio of the Group, which is calculated on the basis of net borrowings<sup>1</sup> (total borrowings less cash and bank balances) over the total equity of the Group, maintained at zero per cent (2021: zero per cent). The gross gearing ratio, which is calculated on the basis of total borrowings over the total equity, is 33.4% (2021: 57.9%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.1 (2021: 1.1). The return on equity, which is the ratio of (loss)/profit for the year over the total equity of the Group, was -78.04% (2021: 8.45%).

As at 31 December 2022, the Group has unutilised borrowing facilities amounting to HK\$2,577,200,000 (2021: HK\$2,044,800,000) 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 2022, certain land and buildings held by the Group of HK\$38,709,000 were pledged to secure banking facilities granted to the Group. As at 31 December 2021, certain land and buildings and investment properties held by the Group of HK\$56,251,000 and HK\$45,390,000 respectively were pledged to secure banking facilities granted. 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\$2,196,892,000 (2021: HK\$3,303,221,000).

The Group’s cash and bank balances are denominated in Hong Kong dollars, Renminbi and Macau Pataca, and the Group’s borrowings are denominated in Hong Kong dollars and Renminbi. 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 subsidiaries in Mainland China 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.

<sup>1</sup> Net borrowings is zero when the amount of cash and bank balances is higher than total borrowings.

**Management Discussion and Analysis****FINANCIAL REVIEW (Continued)****Contingent liabilities**

As at 31 December 2022, the Company executed corporate guarantee of HK\$2,723,800,000 (2021: HK\$3,123,800,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 31 December 2022, HK\$109,538,000 of these facilities were utilised by these subsidiaries (2021: HK\$735,429,000).

**Employee information**

As at 31 December 2022, the Group employed 5,705 full time employees (2021: 6,823) of which 4,850 were sales agents, 494 were back office supportive employees and 361 were frontline supportive employees.

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

# Independent Auditor's Report



**To the Shareholders of Midland Holdings Limited**

*(incorporated in Bermuda with limited liability)*

羅兵咸永道

## 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 2022;
- 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 2022, 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.

## Independent Auditor's Report

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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
- Expected credit loss allowance for trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b><i>Revenue recognition for property agency fees</i></b></p> <p>Refer to notes 3(u), 5(a) and 6 to the consolidated financial statements.</p> <p>The Group recognised revenue from property agency business of HK\$3,095.3 million during the year, representing 99.4% of the total revenues reported by the Group.</p> <p>Property agency fees includes an element of consideration that is variable or contingent on the occurrence or non-occurrence of future events. Management estimated the amount of variable consideration 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.</p> <p>We focused on this area because the estimation of the variable consideration is subject to high degree of estimation uncertainty.</p>	<p>Our procedures in relation to the revenue recognition for property agency fees included:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of management's control and process of revenue recognition for property agency fees and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors.</li> <li>• We evaluated and tested the design and operating effectiveness of the key controls over revenue recognition for property agency fees.</li> <li>• We evaluated management's assessment on the determination of variable consideration. We also evaluated the outcome of prior period assessment of revenue recognition to assess the effectiveness of management's estimation process.</li> <li>• We assessed the reasonableness of management's estimates used to determine variable consideration by considering various factors such as the terms set out in the contracts, the completion status of the sales transactions, price concession and other relevant market information.</li> <li>• We tested, on a sample basis, the data used in the calculation of the variable consideration to supporting evidence.</li> </ul> <p>Based on the procedures performed, we found the estimations made by management on the revenue recognition for property agency fees were supported in light of available evidence.</p>

## Independent Auditor's Report

## Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b><i>Expected credit loss allowance for trade receivables</i></b></p> <p>Refer to notes 3(i), 4(a)(i) and 5(b) to the consolidated financial statements.</p> <p>As at 31 December 2022, the Group had gross trade receivables of approximately HK\$2,399.0 million, against which an expected loss allowance of HK\$122.0 million was made.</p> <p>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 ECL allowance 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 days past due 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.</p> <p>We focused on this area because the estimation of ECL allowance 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.</p>	<p>Our procedures in relation to management’s assessment of ECL allowance for trade receivables included:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of management’s control and processes for the estimation of ECL allowance for trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors.</li> <li>• We evaluated and validated the key controls performed by management over the estimation of ECL allowance for trade receivables.</li> <li>• We assessed the appropriateness of the expected loss provisioning methodology in determining the expected credit loss allowance.</li> <li>• We assessed the estimates used to determine the expected credit loss by considering the completion status of the transactions, historical payment pattern, general market conditions and management’s knowledge about credit worthiness of contracted parties.</li> <li>• We assessed the appropriateness of the grouping of the trade receivables based on their market segments and locations, the credit risk characteristic assessed by reference to the available market information.</li> <li>• We tested, on a sample basis, of accuracy of the trade receivables ageing report to invoices and other relevant documents.</li> <li>• We challenged the inputs, assumptions and estimation techniques, including historical credit loss rates and forward-looking information, used in determining the expected credit loss.</li> </ul> <p>Based on the results of the procedures performed, we found management’s judgement and assumptions applied in assessing the expected credit loss allowance for trade receivables to be supported by available evidence.</p>



## Independent Auditor's Report

### 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 the Audit Committee 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.

The Audit Committee is 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 judgment 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.

## Independent Auditor's Report

### 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 Mr. Ho Chiu Ping, Dennis.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 28 March 2023

# Consolidated Income Statement

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
Revenues	6	3,115,143	6,001,432
Other income, net	8	13,598	12,227
Staff costs	9	(1,872,619)	(2,897,781)
Rebate incentives		(759,466)	(1,803,924)
Advertising and promotion expenses		(117,043)	(115,942)
Operating lease charges in respect of office and shop premises	17(b)	(44,310)	(54,722)
Amortisation of right-of-use assets	17(b)	(597,709)	(575,928)
Depreciation of property and equipment	16	(53,467)	(52,687)
Net reversal of impairment/(impairment losses) on financial assets		5,611	(79,761)
Other operating costs	11	(262,313)	(281,956)
Operating (loss)/profit		(572,575)	150,958
Bank interest income	12	176	206
Interest on bank loans, overdrafts and other borrowings	12	(14,355)	(12,868)
Interest on lease liabilities	12	(18,997)	(17,205)
Share of results of joint ventures	19	16,950	22,915
(Loss)/profit before taxation		(588,801)	144,006
Taxation	13	54,830	(43,793)
(Loss)/profit for the year attributable to equity holders		(533,971)	100,213
		HK cents	HK cents
(Loss)/earnings per share	15		
Basic		(74.46)	13.96
Diluted		(74.46)	13.95

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
(Loss)/profit for the year attributable to equity holders	(533,971)	100,213
Other comprehensive (loss)/income		
<i>Items that will not be reclassified to profit or loss</i>		
Fair value (losses)/gains on financial assets at fair value through other comprehensive income	(175)	723
Remeasurement of post-employment benefit obligation	26,386	–
<i>Item that may be reclassified to profit or loss</i>		
Currency translation differences	5,812	(2,879)
Other comprehensive income/(loss) for the year, net of tax	32,023	(2,156)
Total comprehensive (loss)/income for the year attributable to equity holders, net of tax	(501,948)	98,057

# Consolidated Balance Sheet

As at 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	16	154,632	161,902
Right-of-use assets	17(a)	496,144	726,498
Investment properties	18	50,718	75,341
Interests in joint ventures	19	14,330	41,158
Financial assets at fair value through other comprehensive income	20	988	2,038
Financial assets at fair value through profit or loss	21	10,110	–
Deferred tax assets	28	72,846	11,731
Loan receivables	22	2,970	2,385
		802,738	1,021,053
<b>Current assets</b>			
Trade and other receivables	23	2,551,317	3,803,541
Taxation recoverable		121	410
Loan receivables	22	16,712	22,196
Cash and cash equivalents	24	450,666	1,505,527
Assets held for sales	25	3,862	–
		3,022,678	5,331,674
<b>Total assets</b>		<b>3,825,416</b>	<b>6,352,727</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity holders</b>			
Share capital	26	71,709	71,709
Share premium	26	222,235	222,235
Reserves	27	390,304	892,252
<b>Total equity</b>		<b>684,248</b>	<b>1,186,196</b>
<b>Non-current liabilities</b>			
Other payables and accruals	29	44,088	–
Borrowings	30	173,636	–
Deferred tax liabilities	28	9,203	8,948
Lease liabilities	17(a)	144,669	313,418
		371,596	322,366
<b>Current liabilities</b>			
Trade and other payables	29	2,316,819	3,594,539
Borrowings	30	54,600	687,000
Lease liabilities	17(a)	395,356	533,315
Taxation payable		2,797	29,311
		2,769,572	4,844,165
<b>Total liabilities</b>		<b>3,141,168</b>	<b>5,166,531</b>
<b>Total equity and liabilities</b>		<b>3,825,416</b>	<b>6,352,727</b>

The consolidated financial statements on pages 78 to 146 were approved by the Board of Directors on 28 March 2023 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 2022

	Share capital HK\$'000	Share premium HK\$'000	Reserves HK\$'000 (note 27)	Total HK\$'000
At 1 January 2022	71,709	222,235	892,252	1,186,196
Comprehensive loss				
Loss for the year	–	–	(533,971)	(533,971)
Other comprehensive (loss)/income				
Fair value losses on financial assets at fair value through other comprehensive income	–	–	(175)	(175)
Remeasurement of post-employment benefit obligation	–	–	26,386	26,386
Currency translation differences	–	–	5,812	5,812
Total comprehensive loss	–	–	(501,948)	(501,948)
At 31 December 2022	71,709	222,235	390,304	684,248
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/(loss)				
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 26)	(96)	(1,270)	–	(1,366)
	(96)	(1,270)	100	(1,266)
At 31 December 2021	71,709	222,235	892,252	1,186,196



# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 HK\$'000	2021 HK\$'000
<b>Cash flows from operating activities</b>			
Net cash generated from operations	31(a)	124,976	786,780
Hong Kong profits tax paid		(32,255)	(6,801)
Borrowings and overdrafts interest paid		(14,355)	(12,868)
Interest element of lease payments		(18,997)	(17,205)
Net cash from operating activities		59,369	749,906
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	16	(57,345)	(65,341)
Proceeds from disposal of property and equipment		140	160
Proceeds from disposal of investment properties	18	14,026	–
Return of capital from financial assets at fair value through other comprehensive income		875	2,386
Decrease in bank deposits with maturities over three months from date of deposits		–	2,454
Purchase of financial assets at fair value through profit or loss		(11,684)	–
Bank interest received		176	206
Dividends received from joint ventures	19	43,778	17,575
Net cash used in investing activities		(10,034)	(42,560)
<b>Cash flows from financing activities</b>			
Purchase of own shares	26	–	(1,366)
Principal element of lease payments		(642,152)	(599,884)
Repayment of borrowings		(5,464,025)	(8,546,500)
Proceeds from borrowings		5,005,261	9,005,500
Net cash used in financing activities		(1,100,916)	(142,250)
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at 1 January		1,505,527	938,154
Exchange differences		(3,280)	2,277
Cash and cash equivalents at 31 December		450,666	1,505,527

# 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, Mainland China 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 28 March 2023.

## 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 (i) the revaluation of investment properties, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, which are carried at fair values; and (ii) the assets held for sales which are carried at the lower of carrying amount and fair value less costs to sell.

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 2022

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 operations or financial position.

## Notes to the Consolidated Financial Statements

### 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.

## Notes to the Consolidated Financial Statements

### 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.

#### (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.

### 3 Summary of significant accounting policies (Continued)

#### (c) Foreign currency translation (Continued)

##### (ii) Transactions and balances (Continued)

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.

Translation differences on non-monetary financial assets and liabilities such as equities classified as 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.

## Notes to the Consolidated Financial Statements

### 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.



## Notes to the Consolidated Financial Statements

### 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 fair value through profit or loss are recognised in other gains/(losses) in the consolidated income statement 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.

## Notes to the Consolidated Financial Statements

### 3 Summary of significant accounting policies (Continued)

#### (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 losses ("ECLs") on trade receivables, other receivables, deposits, loan receivables and financial assets measured at fair value through other comprehensive income.

##### *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 expected credit loss model ("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 financial assets other than trade 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) Assets held for sales

An asset is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use.

Immediately before classification as held for sale, the measurement of the asset is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the asset is recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are recognised in profit or loss. As long as an asset is classified as held for sale, the asset is not depreciated or amortised.

#### (n) 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.

#### (o) 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.

## Notes to the Consolidated Financial Statements

### 3 Summary of significant accounting policies (Continued)

#### (p) 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.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated income statement as finance cost.

#### (q) 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.

#### (r) 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 jurisdictions where the subsidiaries and joint ventures 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.

### 3 Summary of significant accounting policies (Continued)

#### (s) 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.

(ii) Post-employment benefit obligation

The Group operates various post-employment schemes, including defined contribution retirement scheme and defined benefit scheme.

For defined contribution retirement scheme, contributions 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.

For defined benefit scheme, the liability recognised is the present value of the defined benefit obligation at the end of the reporting period less the entitlement accrued under the Group's defined contribution retirement scheme that are attributable to contributions made by the Group.

The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit method. Service costs and net interest costs are recognised in profit or loss. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

Change in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised in profit or loss.

(iii) Share-based payment

*Equity-settled share-based payment transactions*

The Group operates an equity-settled, share-based compensation plan, 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).

## Notes to the Consolidated Financial Statements

### 3 Summary of significant accounting policies (Continued)

#### (s) Employee benefits (Continued)

##### (iii) Share-based payment (Continued)

###### *Equity-settled share-based payment transactions (Continued)*

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.

#### (t) 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.

#### (u) 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.



### 3 Summary of significant accounting policies (Continued)

#### (u) Revenue recognition (Continued)

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.

(iii) Income from operating leases

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

(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.

#### (v) 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.

## Notes to the Consolidated Financial Statements

### 3 Summary of significant accounting policies (Continued)

#### (w) 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.

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.

### 3 Summary of significant accounting policies (Continued)

#### (w) Leases (Continued)

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.

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 measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

#### (x) 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.

## Notes to the Consolidated Financial Statements

### 3 Summary of significant accounting policies (Continued)

#### (y) 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, loan receivables, trade and other receivables, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. 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 guarantors and by collaterals against loan receivables and interest receivables such as properties located in Hong Kong. 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 ECL model. While cash and cash equivalents and other financial assets 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 ECLs for loan receivables.

To measure the ECLs, 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 forward-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 receivables at the balance sheet date as a percentage of the estimated current value of collateral, ranges from 59% to 68% (2021: 36% to 71%) as at 31 December 2022. 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 ECLs, the Group considers the probability of default and fair value of the collateral less cost of disposal and management considers the ECLs are close to zero.

## Notes to the Consolidated Financial Statements

### 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 ECLs 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 and 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 ECLs.

As at 31 December 2022, the Group recognised loss allowances of HK\$63,738,000 (2021: HK\$86,321,000) 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, including completion status of related property transactions, that the individual trade receivable is impaired, the loss allowances for these trade receivables is assessed and measured at an amount equal to lifetime ECLs.

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

To measure the ECLs, 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.

## Notes to the Consolidated Financial Statements

## 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 2022**

	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowances		
			Individually assessed HK\$'000	Collectively assessed HK\$'000	Total HK\$'000
Current (not yet due)	0.5%-11.3%	2,168,116	(36,864)	(2,169)	(39,033)
Less than 30 days past due	0.3%-5.3%	44,161	(3,198)	(57)	(3,255)
31-60 days past due	1.3%-5.0%	18,189	(645)	(167)	(812)
61-90 days past due	9.2%-11.9%	18,596	(2,714)	(123)	(2,837)
More than 90 days past due	1.3%-44.8%	149,917	(75,802)	(289)	(76,091)
		2,398,979	(119,223)	(2,805)	(122,028)

**As at 31 December 2021**

	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowances		
			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)

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 allowances provided for trade receivables not yet due include the credit risk arising from bad debts and fallen through transactions.

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



## Notes to the Consolidated Financial Statements

**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:

	2022 HK\$'000	2021 HK\$'000
<b>At 1 January</b>	165,900	108,213
(Decrease)/increase in provision for impairment recognised in profit or loss during the year	(5,611)	79,761
Receivables written off during the year as uncollectible	(31,912)	(23,750)
Exchange differences	(6,349)	1,676
<b>At 31 December</b>	<b>122,028</b>	<b>165,900</b>

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 (loss)/profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

*Other financial assets*

For other financial assets including deposits, other receivables, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, 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 are presented as net impairment losses within operating (loss)/profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

## Notes to the Consolidated Financial Statements

## 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 denominated mainly in Renminbi (“RMB”) which is different from the functional currency of the transacting entity and accordingly, expose the Group to foreign exchange risk.

At the balance sheet date, if HK\$ had weakened or strengthened by 5% (2021: 5%) against RMB with all other variables held constant, the Group’s loss after taxation would have been approximately HK\$15,282,000 lower or higher (2021 profit after taxation: HK\$14,944,000 higher or lower) and other comprehensive income would have been approximately HK\$20,087,000 lower or higher (2021 other comprehensive loss: HK\$21,599,000 higher or lower).

#### (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 30) 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 2022, the Group held cash and bank balances of HK\$450,666,000 (2021: HK\$1,505,527,000).

## Notes to the Consolidated Financial Statements

**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 some of the borrowings which contains a repayment on demand clause which can be exercised at the lenders' 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 borrowings 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
<b>At 31 December 2022</b>					
Trade and other payables	–	2,317,048	17,773	2,334,821	2,334,462
Borrowings	54,996	10,811	176,915	242,722	228,236
Lease liabilities	–	405,594	147,415	553,009	540,025
	54,996	2,733,453	342,103	3,130,552	3,102,723
<b>At 31 December 2021</b>					
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

## Notes to the Consolidated Financial Statements

**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 2022 and 2021 were as follows:

	2022 HK\$'000	2021 HK\$'000
Total borrowings	228,236	687,000
Total equity	684,248	1,186,196
Gross gearing ratio	33.4%	57.9%

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.

	2022	2021
Net gearing ratio	0%	0%

The current ratio of the Group, which represents a ratio of current assets over current liabilities, at 31 December 2022 and 2021 were as follows:

	2022 HK\$'000	2021 HK\$'000
Current assets	3,022,678	5,331,674
Current liabilities	2,769,572	4,844,165
Current ratio	1.1	1.1

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

## Notes to the Consolidated Financial Statements

**4 Financial risk management (Continued)****(c) Fair value estimation**

The carrying amounts of the financial assets of the Group, including cash and cash equivalents, trade and other receivables, loan receivables, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss; and financial liabilities including trade and other payables, borrowings and lease liabilities 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
<b>As at 31 December 2022</b>				
Assets				
Financial assets at fair value through other comprehensive income	–	988	–	988
Financial assets at fair value through profit or loss	10,110	–	–	10,110
<b>As at 31 December 2021</b>				
Assets				
Financial assets at fair value through other comprehensive income	–	2,038	–	2,038

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.

## Notes 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, 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.

## Notes 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.



## Notes to the Consolidated Financial Statements

**5 Critical accounting estimates and judgements (Continued)****(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 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.

**(g) Fair value of defined benefit obligation**

The fair value of defined benefit obligation is determined by using valuation techniques. Details of the judgement and assumptions used in the valuation have been disclosed in note 29 to the consolidated financial statements.

**6 Revenues**

	2022 HK\$'000	2021 HK\$'000
<b>Revenues from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major service lines		
– Agency fee	3,095,311	5,976,276
– Immigration consultancy services	9,198	12,117
– Web advertising	1,466	1,048
– Other services	4,671	3,413
	3,110,646	5,992,854
<b>Revenues from other sources</b>		
– Rental income	2,426	3,138
– Interest income from loan receivables	2,071	5,440
<b>Total revenues</b>	<b>3,115,143</b>	<b>6,001,432</b>

## Notes to the Consolidated Financial Statements

## 7 Segment information

The chief operating decision-makers have been identified as 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, Mainland China and Macau.

	Year ended 31 December 2022			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Segment revenues	3,060,654	34,657	27,500	3,122,811
Inter-segment revenues	–	–	(7,668)	(7,668)
Revenues from external customers	3,060,654	34,657	19,832	3,115,143
Timing of revenue recognition				
– At a point in time	3,060,654	34,657	4,671	3,099,982
– Over time	–	–	10,664	10,664
Rental income	–	–	2,426	2,426
Interest income from loan receivables	–	–	2,071	2,071
	3,060,654	34,657	19,832	3,115,143
Segment results	(539,755)	(16,272)	9,636	(546,391)
Amortisation of right-of-use assets	(595,351)	(2,358)	–	(597,709)
Depreciation of property and equipment	(51,021)	(1,243)	(738)	(53,002)
Net reversal of impairment/(impairment losses) on financial assets	3,489	2,174	(52)	5,611
Share of results of joint ventures	–	–	16,950	16,950
Fair value losses on investment properties	–	–	(8,755)	(8,755)
Impairment losses on right-of-use assets, net of reversals	(18,554)	(1,634)	–	(20,188)
Impairment losses on property and equipment	(3,807)	(618)	–	(4,425)
Additions to property and equipment	55,591	1,735	19	57,345

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

## Notes to the Consolidated Financial Statements

## 7 Segment information (Continued)

	Year ended 31 December 2021			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others 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, net of reversals	(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

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, bank interest income, interest on bank loans, overdrafts and other borrowings 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.

## Notes to the Consolidated Financial Statements

**7 Segment information (Continued)**

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

	2022 HK\$'000	2021 HK\$'000
Segment results for reportable segments	(546,391)	203,198
Corporate expenses	(40,183)	(46,530)
Government subsidy (note 8)	11,952	–
Bank interest income	176	206
Interest on bank loans, overdrafts and other borrowings	(14,355)	(12,868)
(Loss)/profit before taxation per consolidated income statement	(588,801)	144,006

Segment assets and liabilities exclude corporate assets and liabilities, deferred taxation, financial assets at fair value through profit or loss 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 2022			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others HK\$'000	
Segment assets	3,177,458	17,604	104,645	3,299,707
Segment assets include:				
Interests in joint ventures	–	–	14,330	14,330
Segment liabilities	2,849,114	29,310	16,956	2,895,380

## Notes to the Consolidated Financial Statements

**7 Segment information (Continued)**

	As at 31 December 2021			
	Property agency			Total HK\$'000
	Residential properties HK\$'000	Commercial and industrial properties and shops HK\$'000	Others 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

Reportable segment assets are reconciled to total assets as follows:

	2022 HK\$'000	2021 HK\$'000
Segment assets	3,299,707	5,537,909
Corporate assets	441,765	801,049
Deferred tax assets	72,846	11,731
Financial assets at fair value through profit or loss	10,110	–
Financial assets at fair value through other comprehensive income	988	2,038
Total assets per consolidated balance sheet	3,825,416	6,352,727

Reportable segment liabilities are reconciled to total liabilities as follows:

	2022 HK\$'000	2021 HK\$'000
Segment liabilities	2,895,380	4,455,860
Corporate liabilities	236,585	701,723
Deferred tax liabilities	9,203	8,948
Total liabilities per consolidated balance sheet	3,141,168	5,166,531

## Notes to the Consolidated Financial Statements

**7 Segment information (Continued)**

Geographical information:

	2022 HK\$'000	2021 HK\$'000
Revenues from external customers		
Hong Kong and Macau	2,824,672	5,348,828
Mainland China	290,471	652,604
	<u>3,115,143</u>	<u>6,001,432</u>

Revenues are attributed to locations where the transactions took place.

**8 Other income, net**

	2022 HK\$'000	2021 HK\$'000
Fair value (losses)/gains on investment properties (note 18)	(8,755)	919
Fair value changes on financial assets at fair value through profit or loss	(1,574)	–
Government subsidy	11,952	–
Others	11,975	11,308
	<u>13,598</u>	<u>12,227</u>

Subsidy received under the Employment Support Scheme during the year ended 31 December 2022 of HK\$11,952,000 (2021: nil) were included in the government subsidy. There were no unfulfilled conditions or other contingencies attaching to the grants.

**9 Staff costs, including directors' emoluments**

	2022 HK\$'000	2021 HK\$'000
Salaries and allowances	906,683	985,571
Commissions	871,148	1,836,339
Pension costs for defined contribution plans	50,290	69,653
Pension costs for defined benefit plans	44,498	6,118
Share-based benefits	–	100
	<u>1,872,619</u>	<u>2,897,781</u>

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.

## Notes to the Consolidated Financial Statements

**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 Mainland China. 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 2022 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
<b>Executive Directors</b>					
Mr. WONG Kin Yip, Freddie (Chairman)	200	8,781	–	–	8,981
Ms. WONG Ching Yi, Angela	200	8,525	–	18	8,743
Mr. WONG Tsz Wa, Pierre	200	4,308	–	18	4,526
Mr. CHEUNG Kam Shing	200	2,217	–	18	2,435
	800	23,831	–	54	24,685
<b>Independent Non-Executive Directors</b>					
Mr. HO Kwan Tat, Ted	260	–	–	–	260
Mr. SUN Tak Chiu	260	–	–	–	260
Mr. WONG San	260	–	–	–	260
	780	–	–	–	780
	1,580	23,831	–	54	25,465



## Notes to the Consolidated Financial Statements

**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 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
<b>Executive Directors</b>					
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
<b>Non-Executive Director</b>					
Mr. WONG Wing Cheung Dennis (resigned with effect from 28 November 2021)	236	–	–	–	236
	236	–	–	–	236
<b>Independent Non-Executive Directors</b>					
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

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

For the year ended 31 December 2021, 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 respectively (2022: nil). 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 respectively.

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

### (a) Benefit and interest of directors (Continued)

(i) Directors' emoluments

During the year ended 31 December 2022, certain executive directors of the Company waived part of their emoluments. The emoluments waived by these directors were set out below:

	HK\$'000
Mr. WONG Kin Yip, Freddie (Chairman)	1,145
Ms. WONG Ching Yi, Angela	775
	1,920

No other director waived or agreed to waive any emoluments during the year ended 31 December 2022.

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

No incentive payment for joining the Group was paid or payable to any director during the year ended 31 December 2022 (2021: 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 (2021: nil).

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

During the year ended 31 December 2022, the Group did not pay consideration to any third parties for making available directors' services (2021: 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 2022, there are no loans, quasi-loans and other dealing arrangements in favour of directors, bodies corporate controlled by and entities connected with such directors (2021: nil).

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

Saved as disclosed in note 35, 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.

## Notes to the Consolidated Financial Statements

**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 (2021: three) directors whose emoluments are reflected in the analysis shown in note 10(a). The emoluments payable to the remaining two (2021: two) individuals during the year are as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and allowances	6,192	1,221
Performance related bonus/discretionary bonus	–	15,918
Retirement benefit costs	36	36
	<b>6,228</b>	<b>17,175</b>

The emoluments fell within the following bands:

	Number of individuals	
	2022	2021
HK\$2,500,001 – HK\$3,000,000	1	–
HK\$3,000,001 – HK\$3,500,000	1	–
HK\$7,500,001 – HK\$8,000,000	–	1
HK\$9,000,001 – HK\$9,500,000	–	1
	<b>2</b>	<b>2</b>

## Notes to the Consolidated Financial Statements

**11 Other operating costs**

The major other operating costs are as follows:

	2022 HK\$'000	2021 HK\$'000
Direct operating expenses arising from investment properties that:		
– generated rental income	142	151
– did not generate rental income	56	32
Office and branch operating expenses (remark)	126,060	134,970
Government rent and rates, building management fee of leased properties	51,452	48,720
Legal and professional fees	11,094	9,401
Staff recruitment, training and welfare	7,621	7,415
Insurance expenses	19,676	15,924
Bank charges	11,058	24,380
Impairment losses on right-of-use assets, net of reversals (note 17(b))	20,188	21,849
Impairment losses on property and equipment (note 17(b))	4,425	4,704
Loss on disposal of property and equipment	1,549	558
Net foreign exchange losses/(gains)	743	(487)
Donations	905	1,483
Auditor's remuneration		
– audit services	2,357	2,974
– 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**

	2022 HK\$'000	2021 HK\$'000
Finance income		
Bank interest income	176	206
Finance costs		
Interest on bank loans, overdrafts and other borrowings	(14,355)	(12,868)
Interest on lease liabilities (note 17(b))	(18,997)	(17,205)
	(33,352)	(30,073)
Finance costs, net	(33,176)	(29,867)

## Notes to the Consolidated Financial Statements

## 13 Taxation

	2022 HK\$'000	2021 HK\$'000
Current taxation		
Hong Kong profits tax	5,943	43,161
Overseas	87	(836)
Deferred taxation (note 28)	(60,860)	1,468
	<u>(54,830)</u>	<u>43,793</u>

Hong Kong profits tax has been calculated at the rate of 16.5% (2021: 16.5%) on 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 at the same basis in 2021.

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

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

	2022 HK\$'000	2021 HK\$'000
(Loss)/profit before taxation	(588,801)	144,006
Less: share of results of joint ventures	(16,950)	(22,915)
	<u>(605,751)</u>	<u>121,091</u>
Calculated at a taxation rate of 16.5% (2021: 16.5%)	(99,949)	19,980
Effect of different taxation rates in other jurisdictions	(11,781)	(12,296)
Income not subject to taxation	(2,485)	(684)
Expenses not deductible for taxation purposes	4,850	1,902
Utilisation of previously unrecognised tax losses	(17)	(1,178)
Tax losses not recognised	54,563	37,710
Other temporary differences not recognised	243	(611)
Others	(254)	(1,030)
Taxation (credit)/charge	<u>(54,830)</u>	<u>43,793</u>

## Notes to the Consolidated Financial Statements

**14 Dividend**

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: nil).

**15 (Loss)/earnings per share**

The calculation of basic and diluted (loss)/earnings per share is based on the following:

	2022 HK\$'000	2021 HK\$'000
(Loss)/profit attributable to equity holders for the calculation of basic and diluted (loss)/earnings per share	(533,971)	100,213
Weighted average number of shares for the calculation of basic (loss)/earnings per share (thousands)	717,086	717,801
Effect on conversion of share options (thousands)	–	661
Weighted average number of shares for the calculation of diluted (loss)/earnings per share (thousands)	717,086	718,462
Basic (loss)/earnings per share (HK cents)	(74.46)	13.96
Diluted (loss)/earnings per share (HK cents)	(74.46)	13.95

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

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

In calculating the diluted earnings per share for the year ended 31 December 2021, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from share options. 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.

## Notes to the Consolidated Financial Statements

## 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
<b>At 1 January 2022</b>						
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
<b>Year ended 31 December 2022</b>						
Opening net book amount	56,747	25,451	17,391	62,100	213	161,902
Additions	-	31,530	11,086	14,210	519	57,345
Transfer (note 25)	(3,862)	-	-	-	-	(3,862)
Disposals	-	(736)	(783)	(10)	(160)	(1,689)
Depreciation	(1,124)	(27,707)	(5,352)	(19,209)	(75)	(53,467)
Impairment (note 17(b))	-	(4,425)	-	-	-	(4,425)
Exchange differences	(33)	(91)	(1,046)	(2)	-	(1,172)
Closing net book amount	51,728	24,022	21,296	57,089	497	154,632
<b>At 31 December 2022</b>						
Cost	141,989	169,045	78,636	238,063	5,561	633,294
Accumulated depreciation and impairment	(90,261)	(145,023)	(57,340)	(180,974)	(5,064)	(478,662)
Net book amount	51,728	24,022	21,296	57,089	497	154,632
<b>At 1 January 2021</b>						
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
<b>Year ended 31 December 2021</b>						
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 (note 17(b))	-	(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
<b>At 31 December 2021</b>						
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

Land and buildings with net book value of HK\$38,709,000 (2021: HK\$56,251,000) are pledged as security for the Group's borrowing facilities (note 30).



## 17 Right-of-use assets and lease liabilities

### (a) Amounts recognised in the consolidated balance sheet

#### (i) Right-of-use assets

	2022 HK\$'000	2021 HK\$'000
Properties	495,017	725,058
Motor vehicles	196	403
Land use rights	931	1,037
	<b>496,144</b>	<b>726,498</b>

Additions to the right-of-use assets during the year were HK\$417,371,000 (2021: HK\$791,078,000).

#### (ii) Lease liabilities

	2022 HK\$'000	2021 HK\$'000
Non-current	144,669	313,418
Current	395,356	533,315
	<b>540,025</b>	<b>846,733</b>

During the years ended 31 December 2022 and 2021, the Group received rent concessions from landlords for certain leased properties, which have been accounted for as lease modifications.

## Notes to the Consolidated Financial Statements

**17 Right-of-use assets and lease liabilities (Continued)****(b) Amounts recognised in the consolidated income statement**

	2022 HK\$'000	2021 HK\$'000
Amortisation of right-of-use assets		
Properties	597,298	575,499
Motor vehicles	375	392
Land use rights	36	37
	<u>597,709</u>	<u>575,928</u>
Expenses relating to short-term leases (included in operating lease charges in respect of office and shop premises)	44,310	54,312
Expenses relating to variable lease payments not included in lease liabilities (included in operating lease charges in respect of office and shop premises)	–	410
	<u>44,310</u>	<u>54,722</u>
Interest on lease liabilities (note 12)	18,997	17,205

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 2022, 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\$20,188,000 and HK\$4,425,000 (2021: HK\$21,849,000 and HK\$4,704,000) 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\$705,459,000 (2021: HK\$671,811,000).

## Notes to the Consolidated Financial Statements

## 18 Investment properties

	2022 HK\$'000	2021 HK\$'000
Opening net book amount	75,341	73,701
Changes in fair value to consolidated income statement (note 8)	(8,755)	919
Disposals	(14,026)	–
Exchange differences	(1,842)	721
Closing net book amount	50,718	75,341

Changes in fair value of investment properties is included in “Other income, net” in the consolidated income statement (note 8).

The Group engages qualified professional valuer to determine the fair value of Group’s investment properties at least once every six months, in line with the Group’s interim and annual reporting dates. Valuation assumptions, major inputs to valuation report and valuation result are discussed with the valuer.

As at 31 December 2022, valuations were undertaken by Jones Lang LaSalle Limited (2021: Midland Surveyors Limited), a qualified professional valuer 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 Mainland China 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:

Location of investment properties	Fair value HK\$'000	Range of significant unobservable inputs	
		Prevailing market rent per month	Capitalisation rate
Hong Kong	31,400	HK\$49 to HK\$110 per sq. ft. (saleable) (2021: HK\$36 to HK\$113 per sq. ft. (saleable))	3.20% to 4.00% (2021: 3.20% to 4.00%)
Mainland China	19,318	RMB164 to RMB1,200 per sq. m. (gross) (2021: RMB169 to RMB1,750 per sq. m. (gross))	5.60% (2021: 5.80% to 6.10%)
Total	50,718		

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.

As at 31 December 2022 and 2021, all investment properties are included in level 3 in fair value hierarchy. There were no transfer between levels 1, 2 and 3 during the year.

As at 31 December 2021, investment properties with net book value of HK\$45,390,000 (As at 31 December 2022: nil) were pledged as security for the Group’s borrowing facilities (note 30).

## Notes to the Consolidated Financial Statements

**19 Interests in joint ventures**

	2022 HK\$'000	2021 HK\$'000
Share of net assets	14,330	41,158

Details of the principal joint ventures are set out in note 38(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:

	2022 HK\$'000	2021 HK\$'000
At the beginning of the year	41,158	35,818
Share of profit	16,950	22,915
Dividend received	(43,778)	(17,575)
At the end of the year	14,330	41,158

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**

	2022 HK\$'000	2021 HK\$'000
Total non-current assets	1,334	5,168
Total current assets	57,554	118,050
Total non-current liabilities	–	(568)
Total current liabilities	(31,218)	(43,285)
Net assets	27,670	79,365
Group's share of net assets	13,835	39,683
Revenues	126,162	161,304
Profit and total comprehensive income for the year attributable to equity holders	33,561	45,176
Group's share of the profit and total comprehensive income for the year	16,781	22,588

During the year ended 31 December 2022, the Group received dividends of HK\$42,628,000 (2021: HK\$17,575,000) 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 2022 and 2021.

## Notes to the Consolidated Financial Statements

**20 Financial assets at fair value through other comprehensive income**

	2022 HK\$'000	2021 HK\$'000
Unlisted equity investments, at fair value	988	2,038

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

**21 Financial assets at fair value through profit or loss**

	2022 HK\$'000	2021 HK\$'000
Club membership, at fair value	10,110	–

The movements on the financial assets at fair value through profit or loss are as follows:

	Club membership HK\$'000	Unlisted equity investments HK\$'000	Total HK\$'000
At 1 January 2021, 31 December 2021 and 1 January 2022	–	–	–
Additions	10,110	1,574	11,684
Changes in fair value	–	(1,574)	(1,574)
At 31 December 2022	10,110	–	10,110

The Group's financial assets at fair value through profit or loss are denominated in United States dollars and Hong Kong dollars.

The Group uses the net asset value of unlisted equity investments to determine its fair value in which it is the generally accepted pricing models in assessing its fair value. The fair value measurement of unlisted equity investments was categorised as level 3 of the three-level fair value hierarchy as defined under HKFRS 13.

The Group determines the fair value of club membership by reference to published price quotations in active markets and were categorised as level 1 of the three-level fair value hierarchy as defined under HKFRS 13.

## Notes to the Consolidated Financial Statements

**22 Loan receivables**

	2022 HK\$'000	2021 HK\$'000
Loan receivables – loans to employees	3,182	2,881
Loan receivables – property mortgage loans	16,500	21,700
Total loan receivables	19,682	24,581
Less: non-current portion	(2,970)	(2,385)
Current portion	16,712	22,196

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

	2022 HK\$'000	2021 HK\$'000
Within 1 year	16,712	22,196
Over 1 year but less than 2 years	310	965
Over 2 years but less than 3 years	2,660	1,137
Over 3 years	–	283
	19,682	24,581

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

## Notes to the Consolidated Financial Statements

**23 Trade and other receivables**

	2022 HK\$'000	2021 HK\$'000
Trade receivables	2,398,979	3,607,354
Less: loss allowance	(122,028)	(165,900)
Trade receivables, net	2,276,951	3,441,454
Other receivables, prepayments and deposits	274,366	362,087
	<b>2,551,317</b>	<b>3,803,541</b>

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:

	2022 HK\$'000	2021 HK\$'000
Current (not yet due)	2,129,083	3,332,559
Less than 30 days past due	40,906	45,251
31 to 60 days past due	17,377	16,615
61 to 90 days past due	15,759	11,912
More than 90 days past due	73,826	35,117
	<b>2,276,951</b>	<b>3,441,454</b>

Trade receivables of HK\$147,868,000 (2021: HK\$108,895,000) 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\$2,196,892,000 as at 31 December 2022 (2021: HK\$3,303,221,000).

## Notes to the Consolidated Financial Statements

**24 Cash and cash equivalents**

As at 31 December 2022, the Group's cash and cash equivalents included balances of HK\$129,991,000 (2021: HK\$47,900,000), which were deposits with banks in Mainland China. The remittance of such balances out of the Mainland China is subject to the rules and regulations of foreign exchange control promulgated by the People's Republic of China ("PRC") government.

**25 Assets held for sales**

During the year ended 31 December 2022, a subsidiary of the Company entered into a provisional agreement to sell a property at a consideration of HK\$14,680,000.

This transaction was subsequently completed in February 2023.

**26 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 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, 1 January 2022 and 31 December 2022	717,086,005	71,709	222,235	293,944

Notes:

**(a) Share capital**

The total authorised number of ordinary shares is 1 billion shares (2021: 1 billion shares) with a nominal value of HK\$0.10 per share (2021: 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**

On 23 June 2016, the Company adopted a share option scheme (the "2016 Share Option Scheme"). The 2016 Share Option Scheme became effective on 23 June 2016 and had remained in force for a period of ten years from that date and will expire on 22 June 2026. 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.



## Notes to the Consolidated Financial Statements

**26 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. Any further grant of options in excess of the aforesaid limits shall be separately approved by the shareholders of the Company in a general meeting.

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 2022). 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 had recognised share-based payment expenses of HK\$100,000 in the consolidated income statement (2022: nil).

## Notes to the Consolidated Financial Statements

**26 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	
		2022	2021
17 January 2021 to 16 January 2028	1.09	9,174,300	9,174,300

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

	2022		2021	
	Weighted average exercise price per share HK\$	Number of options	Weighted average exercise price per share HK\$	Number of options
At beginning of the year	1.090	9,174,300	1.857	12,778,880
Lapsed	–	–	3.810	(3,604,580)
At the end of the year	1.090	9,174,300	1.090	9,174,300

No share options of the Company were granted, exercised or cancelled for the year ended 31 December 2022 (2021: nil).

As at 31 December 2022, 9,174,300 options were exercisable (2021: 9,174,300 options).

The options outstanding as at 31 December 2022 had a weighted average remaining contractual life of 5.05 years (2021: 6.05 years).

## Notes to the Consolidated Financial Statements

## 27 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 2022	5,013	2,086	190	2,304	18,383	1,903	24,201	838,172	892,252
Loss for the year	-	-	-	-	-	-	-	(533,971)	(533,971)
Fair value losses on financial assets at fair value through other comprehensive income	-	-	-	-	-	(175)	-	-	(175)
Remeasurement of post-employment benefit obligation	-	-	-	-	-	-	-	26,386	26,386
Currency translation differences	-	-	-	-	5,812	-	-	-	5,812
Transfer of gain on disposal of financial assets at fair value through other comprehensive income to retained earnings	-	-	-	-	-	(325)	-	325	-
Release of reserve upon disposal of investment properties	-	-	-	-	-	-	(8,527)	8,527	-
At 31 December 2022	5,013	2,086	190	2,304	24,195	1,403	15,674	339,439	390,304
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	-
Cancellation of shares repurchased	96	-	-	-	-	-	-	(96)	-
At 31 December 2021	5,013	2,086	190	2,304	18,383	1,903	24,201	838,172	892,252

## Notes to the Consolidated Financial Statements

**28 Deferred taxation**

	2022 HK\$'000	2021 HK\$'000
Deferred tax assets	72,846	11,731
Deferred tax liabilities	(9,203)	(8,948)
	<b>63,643</b>	<b>2,783</b>

The net movements on the deferred tax assets/(liabilities) are as follows:

	2022 HK\$'000	2021 HK\$'000
At 1 January	2,783	4,251
Recognised in the consolidated income statement (note 13)	60,860	(1,468)
At 31 December	<b>63,643</b>	<b>2,783</b>

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 2021	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
Recognised in the consolidated income statement	(1,444)	(1,537)	64,096	61,115
At 31 December 2022	<b>6,925</b>	<b>1,825</b>	<b>64,096</b>	<b>72,846</b>

## Notes to the Consolidated Financial Statements

**28 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 2021	(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)
Recognised in the consolidated income statement	(295)	40	(255)
At 31 December 2022	(9,071)	(132)	(9,203)

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\$208,615,000 (2021: HK\$169,475,000) in respect of losses amounting to HK\$1,057,126,000 (2021: HK\$861,537,000) as at 31 December 2022. 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\$415,985,000 (2021: HK\$336,339,000) which will expire from 2023 to 2027 (2021: from 2022 to 2026).

In addition, the Group did not recognise deferred tax assets of HK\$2,336,000 (2021: HK\$1,565,000) and HK\$656,000 (2021: HK\$638,000) in respect of decelerated tax depreciation and provision respectively.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2022 HK\$'000	2021 HK\$'000
Deferred tax assets		
Recoverable after more than twelve months	1,825	3,362
Recoverable within twelve months	71,021	8,369
	72,846	11,731
Deferred tax liabilities		
Payable or settle after more than twelve months	(9,203)	(8,948)

## Notes to the Consolidated Financial Statements

**29 Trade and other payables**

	2022 HK\$'000	2021 HK\$'000
Commissions and rebate payables	2,066,231	3,257,129
Other payables and accruals	268,231	327,706
Defined benefit obligation	26,445	9,704
	<b>2,360,907</b>	<b>3,594,539</b>
Categorised as		
Current portion	2,316,819	3,594,539
Non-current portion	44,088	–
	<b>2,360,907</b>	<b>3,594,539</b>

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\$247,949,000 (2021: HK\$352,999,000) 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.

As at 31 December 2022 and 2021, the Group's defined benefit obligation are determined based on the actuarial valuation prepared by an independent qualified professional actuary, using the Projected Unit Credit method.

Movements in the present value of the defined benefit obligation are as follows:

	2022 HK\$'000	2021 HK\$'000
At the beginning of the year	9,704	4,112
Service costs	44,379	6,095
Interest costs	119	23
Actuarial gain	(26,386)	–
Benefit paid	(1,371)	(526)
At the end of the year	<b>26,445</b>	<b>9,704</b>

The significant actuarial assumptions used are as follows:

	2022	2021
Discount rate	3.9%	1.3%
Expected rate of salary increase	2.5%	2.5%

## Notes to the Consolidated Financial Statements

**29 Trade and other payables (Continued)**

The sensitivity analysis of the defined benefit obligation to changes in the significant actuarial assumptions are as follows:

	Change to adopted rate	Effect on defined benefit obligation
Discount rate	+0.5%/-0.5%	-5.8%/+6.4%
Expected rate of salary increase	+0.5%/-0.5%	+1.0%/-1.1%

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant.

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.

**30 Borrowings**

The analysis of the carrying amount of interest-bearing borrowings are as follows:

	2022 HK\$'000	2021 HK\$'000
Bank borrowings with repayment on demand clause	54,600	687,000
Unsecured borrowings from related parties	173,636	–
Total borrowings	228,236	687,000
Less: non-current portion	(173,636)	–
Current portion	54,600	687,000

These bank borrowing facilities are secured by certain land and buildings and investment properties held by the Group (notes 16 and 18), certain trade receivables (note 23) and guarantees provided by the Company (note 32).

The analysis of the repayment schedule of borrowings as at the end of the reporting periods is as follows:

	2022 HK\$'000	2021 HK\$'000
Repayable within 1 year	54,600	687,000
Repayable after 1 year but within 2 years	173,636	–
	228,236	687,000

As at 31 December 2022, effective interest rates of the Group's borrowings range from 5.15% to 7.63% (2021: 1.46% to 1.74%).

For the borrowings, the fair values are not materially different to their carrying amounts, since the interest payables on the borrowings are close to current market rates.

Borrowings are denominated in Hong Kong dollars and Renminbi.

## Notes to the Consolidated Financial Statements

**30 Borrowings (Continued)**

The Group has the following undrawn bank borrowing facilities:

	2022 HK\$'000	2021 HK\$'000
Floating rates Expiring within one year	2,577,200	2,044,800

**31 Notes to consolidated statement of cash flows****(a) Reconciliation of operating (loss)/profit to net cash generated from operations**

	2022 HK\$'000	2021 HK\$'000
Operating (loss)/profit	(572,575)	150,958
Amortisation of right-of-use assets	597,709	575,928
Depreciation of property and equipment	53,467	52,687
Net (reversal of impairment)/impairment losses on financial assets	(5,611)	79,761
Fair value losses/(gains) on investment properties (note 8)	8,755	(919)
Fair value changes on financial assets at fair value through profit or loss (note 8)	1,574	–
Impairment losses on right-of-use assets (note 11)	20,188	21,849
Impairment losses on property and equipment (note 11)	4,425	4,704
Loss on disposal of property and equipment (note 11)	1,549	558
Non-cash employee benefits expenses – share-based benefits (note 9)	–	100
Net exchange differences	(139)	(1,095)
Operating profit before working capital changes	109,342	884,531
Changes in loan receivables	4,899	72,558
Changes in trade and other receivables	1,244,952	(722,210)
Changes in trade and other payables	(1,234,217)	551,901
Net cash generated from operations	124,976	786,780



## Notes to the Consolidated Financial Statements

**31 Notes to consolidated statement of cash flows (Continued)****(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 2021	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
Cash flows	(458,764)	(642,152)	(1,100,916)
Other non-cash movements	–	335,444	335,444
At 31 December 2022	228,236	540,025	768,261

**32 Contingent liabilities**

As at 31 December 2022, the Company executed corporate guarantee of HK\$2,723,800,000 (2021: HK\$3,123,800,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 31 December 2022, HK\$109,538,000 of these facilities were utilised by the subsidiaries (2021: HK\$735,429,000).

**33 Future lease rental receivable**

The Group had future minimum lease rental receivable under non-cancellable operating leases for properties as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	1,845	2,917
After one year but within five years	1,042	2,343
	2,887	5,260

**34 Commitments****(a) Capital commitments**

The Group did not have any significant capital commitments as at 31 December 2022 and 2021.

**(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:

	2022 HK\$'000	2021 HK\$'000
Within one year	2,039	2,574

## Notes to the Consolidated Financial Statements

**35 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	2022 HK\$'000	2021 HK\$'000
Agency fee income from related companies	(i)	56,134	58,521
Rebate incentives to related companies	(ii)	(22,353)	(27,171)
License fee income from related companies	(iii)	1,380	2,129
Interest expenses to a director	(iv)	(113)	–
Interest expenses to other related company	(iv)	(227)	–

Notes:

- (i) Agency fee income from related companies represents agency fee for property agency transactions referred to related companies on terms mutually agreed by both parties.
- (ii) Rebate incentives to related companies represents rebate incentives for property agency transactions referred by 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 related companies on terms mutually agreed by both parties.
- (iv) Interest expenses to a director/other related company represents interest expenses for borrowings provided by a director/other related company (note 35(d)) on terms mutually agreed by both parties.

The related companies referred in notes (i), (ii) and (iii) above represent subsidiaries of Legend Upstar Holdings Limited, formerly known as Midland IC&I Limited (“Legend Upstar”). Mr. WONG Kin Yip, Freddie (“Mr. WONG”), a director and controlling shareholder of the Company (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”)), is also a director and controlling shareholder of Legend Upstar.

During the year ended 31 December 2022, the Group shared administrative and corporate services fee on a cost basis with an aggregate amount of HK\$14,155,000 (2021: HK\$16,582,000) with subsidiaries of Legend Upstar.

- (b) During the year ended 31 December 2022, the Group entered into certain leases with certain subsidiaries of Legend Upstar on terms mutually agreed by both parties. The Group recognised right-of-use assets of HK\$4,564,000 at the commencement date of the leases (2021: HK\$2,428,000).

During the year ended 31 December 2022, lease payments to certain subsidiaries of Legend Upstar under certain leases amounted to HK\$3,439,000 (2021: HK\$3,520,000).

## Notes to the Consolidated Financial Statements

**35 Significant related party transactions (Continued)**

- (c) During the year ended 31 December 2022, 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\$3,547,000 at the commencement date of the leases (2021: HK\$6,377,000).

During the year ended 31 December 2022, lease payments to these companies, of which Mr. WONG is the beneficial owner, under certain leases amounted to HK\$5,295,000 (2021: HK\$5,090,000).

- (d) During the year ended 31 December 2022, the Group entered into loan agreements with Mr. WONG and a company, of which Mr. WONG is the ultimate beneficial owner, to obtain financing in the amount of HK\$60,000,000 and HK\$113,636,000 respectively (2021: nil) on arm's length terms with reference to prevailing marketing conditions and not secured by the assets of the Group, which were fully exempt connected transactions under the Listing Rules.

- (e) **The balances with related parties included in trade and other receivables, trade and other payables, lease liabilities and borrowings are as follows:**

	2022 HK\$'000	2021 HK\$'000
Trade and other receivables		
Amounts due from related companies (note 35(a))	35,994	27,859
Trade and other payables		
Amounts due to related companies (note 35(a))	(14,519)	(23,444)
Amount due to a director (note 35(d))	(113)	–
Amount due to other related company (note 35(d))	(227)	–
Borrowings		
Amount due to a director (note 35(d))	(60,000)	–
Amount due to other related company (note 35(d))	(113,636)	–
Lease liabilities		
Amounts due to related companies (note 35(b))	(2,230)	(1,056)
Amounts due to other related companies (note 35(c))	(3,120)	(4,883)

- (f) **Key management compensation**

	2022 HK\$'000	2021 HK\$'000
Fees, salaries, allowances and incentives	24,631	36,686
Share-based benefits	–	100
Retirement benefit costs	54	54
	24,685	36,840

The amount represents emoluments paid or payable to the Executive Directors for the year.

These significant related party transactions under this note constitute connected transactions or continuing connected transactions under the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected Transactions" and "Continuing Connected Transactions" of the Report of the Directors.

## Notes to the Consolidated Financial Statements

## 36 Balance sheet and reserves movement of the Company

## Balance sheet of the Company

	Note	As at 31 December	
		2022	2021
		HK\$'000	HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries		108,501	108,501
<b>Current assets</b>			
Other receivables, prepayments and deposits		4,027	3,479
Amounts due from subsidiaries		482,491	487,713
Taxation recoverable		121	388
Cash and cash equivalents		907	766
		487,546	492,346
<b>Total assets</b>		<b>596,047</b>	<b>600,847</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity holders</b>			
Share capital		71,709	71,709
Share premium		222,235	222,235
Reserves	(a)	293,900	292,489
<b>Total equity</b>		<b>587,844</b>	<b>586,433</b>
<b>Current liabilities</b>			
Other payables and accruals		7,627	13,874
Amounts due to subsidiaries		576	540
<b>Total liabilities</b>		<b>8,203</b>	<b>14,414</b>
<b>Total equity and liabilities</b>		<b>596,047</b>	<b>600,847</b>

The balance sheet of the Company was approved by the Board of Directors on 28 March 2023 and was signed on its behalf.

**WONG Ching Yi, Angela**  
Director

**WONG Tsz Wa, Pierre**  
Director

## Notes to the Consolidated Financial Statements

**36 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 2022	5,013	2,304	108,001	177,171	292,489
Profit for the year	–	–	–	1,411	1,411
At 31 December 2022	5,013	2,304	108,001	178,582	293,900
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	–
Cancellation of shares repurchased	96	–	–	(96)	–
At 31 December 2021	5,013	2,304	108,001	177,171	292,489

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.

**37 Event after the reporting period****Disposal of a property**

On 20 March 2023, a subsidiary of the Company entered into a provisional agreement to sell a property in Hong Kong at a consideration of HK\$22,800,000. As at 31 December 2022, the property was included in property and equipment in the consolidated balance sheet.

This transaction shall be completed in May 2023.

## Notes to the Consolidated Financial Statements

## 38 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	
				2022 %	2021 %
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

## Notes to the Consolidated Financial Statements

## 38 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	
				2022 %	2021 %
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\$34,710,000	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.

## (b) Principal joint ventures

Company name	Place of incorporation	Principal activities and places of operation	Percentage of interest in ownership/voting power/profit sharing	
			2022	2021
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 (note b)	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 (note b)	100%
Shop No. 80, Harmony Garden, No. 9 Siu Sai Wan Road, Hong Kong	CWIL154	Commercial	Medium (note b)	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 a)	Commercial	Medium (note b)	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 a)	Commercial	Medium (note b)	100%

Notes:

- (a) Property located in the People's Republic of China without lot number.
- (b) Remaining lease term at the end of the financial year is between 10 and 50 years.



## Five-Year Financial Summary

	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>For the year</b>					
Revenues	3,115,143	6,001,432	4,981,920	4,883,503	5,010,221
(Loss)/profit before taxation	(588,801)	144,006	150,022	(63,426)	78,536
(Loss)/profit attributable to equity holders of the Company	(533,971)	100,213	131,854	(68,924)	58,134
<b>Cash flows</b>					
Net cash inflow/(outflow) from operating activities	59,369	749,906	666,365	647,621	(26,934)
<b>At year end</b>					
Total assets	3,825,416	6,352,727	5,028,538	5,166,816	4,593,896
Total liabilities	3,141,168	5,166,531	3,939,133	3,842,182	3,137,798
Total equity	684,248	1,186,196	1,089,405	1,324,634	1,456,098
Cash and cash equivalents (include short-term bank deposits)	450,666	1,505,527	940,608	1,151,688	942,290
	HK cents	HK cents	HK cents	HK cents	HK cents
<b>Per share data</b>					
Basic (loss)/earnings per share	(74.46)	13.96	18.36	(9.60)	8.10
Diluted (loss)/earnings per share	(74.46)	13.95	18.36	(9.60)	7.95
Dividend per share					
Interim	–	–	50.56	–	3.20
Final	–	–	–	–	–
Total	–	–	50.56	–	3.20



香港德輔道中19號環球大廈25樓2505-8室

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

[www.midland.com.hk](http://www.midland.com.hk)