迎風蛻變　跨步向前
Rise against the Wind and Progress with the Times

美聯工商舖
MIDLAND IC&I
Midland IC&I Limited
Incorporated in the Cayman Islands with limited liability
(Stock code 股份代號: 459)

Annual Report 2021 年報

www.midlandici.com.hk

Contents

BOARD OF DIRECTORS

Executive Directors

Mr. WONG Kin Yip, Freddie *(Chairman)*
Ms. WONG Ching Yi, Angela
Mr. LO Chin Ho, Tony
Mr. WONG Alexander Yiu Ming

Independent Non-Executive Directors

Mr. SHA Pau, Eric
Mr. HO Kwan Tat, Ted
Mr. WONG Chung Kwong
Mr. LI Wai Keung

AUDIT COMMITTEE

Mr. HO Kwan Tat, Ted *(Committee Chairman)*
Mr. SHA Pau, Eric
Mr. WONG Chung Kwong
Mr. LI Wai Keung

REMUNERATION COMMITTEE

Mr. HO Kwan Tat, Ted *(Committee Chairman)*
Mr. WONG Kin Yip, Freddie
Mr. SHA Pau, Eric
Mr. WONG Chung Kwong
Mr. LI Wai Keung

NOMINATION COMMITTEE

Mr. WONG Kin Yip, Freddie *(Committee Chairman)*
Mr. SHA Pau, Eric
Mr. HO Kwan Tat, Ted
Mr. WONG Chung Kwong
Mr. LI Wai Keung

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Shanghai Commercial Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

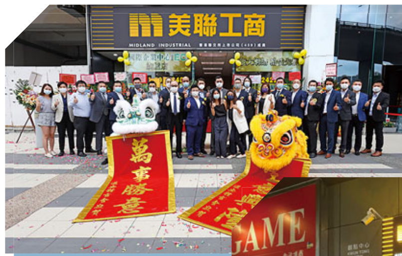
www.midlandici.com.hk

STOCK CODE

459

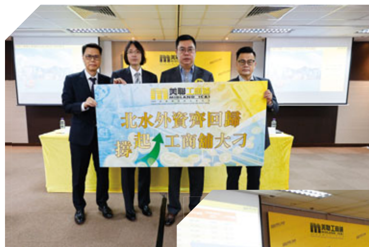
Invested in multiple shops and rolled out strategic expansion of branch networks

The commercial, industrial and shop markets have been running hot in 2021, with a rebound in the number of non-residential property transactions. In this regard, the Group sought to support and inject new impetus to the market by investing in multiple shops. In addition, it also seized the opportunity to strategically expand its branch network in various districts, including the "IEC Flagship Store" in Tsuen Wan and a new branch in Kwun Tong, East Kowloon, to provide top quality services to its customers.



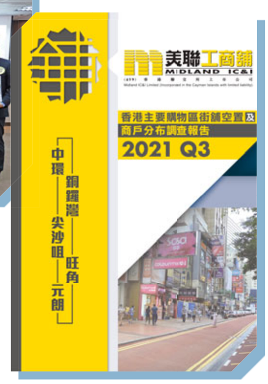
Held various online or physical press conferences in light of the pandemic

The Group had pioneered the real estate agency industry to conduct online press conferences back in the beginning of the pandemic. In 2021, it also followed the pandemic situation closely and held multiple online and physical conferences to analyze the market condition, share various research results with customers as well as provide information relevant to various industrial and commercial shops to the public.



Introduced the Research Report on Shop Vacancy and Tenant Mix in Hong Kong's Main Shopping Districts

The Group releases several research reports each year, featuring the number of vacant shops and the tenant mix in five main shopping districts in Hong Kong, namely Causeway Bay, Tsim Sha Tsui, Central, Mong Kok and Yuen Long, coupled with timely data analyses of the market situation of different industries. With the catering industry becoming the focus of the market in 2021, the report was designed to provide detailed analyses of that sector so as to help customers grasp the latest market trend and make the best business decisions.



Clinched the 53rd "Distinguished Salesperson Award"

Talent nurturing has always been one of the Group's core focuses. In 2021, 4 elites of the Group were honored with the "Distinguished Salesperson Award" organized by the Hong Kong Management Association, which serves as a recognition of their remarkable contribution as a salesperson as well as the Group's competence in talent nurturing.

BUSINESS REVIEW

Midland IC&I Limited (the "Company") and its subsidiaries (collectively, the "Group") announce that for the year ended 31 December 2021, the Group recorded a profit attributable to equity holders of HK$49,839,000 (2020: Loss attributable to equity holders of HK$7,275,000).

The turnaround of the Group's results was attributable to, among other factors:

1. the substantial increase in operating profit of the Group's agency business for the year ended 31 December 2021 as compared with that in 2020. Following the implementation of a series of strategic initiatives, including restructuring of the management team, the Group was able to increase its market share and capture the rebound of the Hong Kong non-residential property market; and

2. the increase in operating profit of the Group's credit business for the year ended 31 December 2021 as compared with that in 2020.

Benefitting from the Hong Kong government's Employment Support Scheme, the Group received cash subsidy in 2020. Excluding the one-off grant, the financial results of the Group in the year of 2021 would have improved even more spectacularly from that of 2020.

Market Heated Up in the First Half of 2021 But Turned Sour in the Second Half

Owing to the restoration of the social order and the stabilization of the local pandemic in 2021, the confidence in the non-residential property market had once improved substantially. As the local economy grew, the rollout of the Consumption Voucher Scheme by the government during the reporting period provided strong boost to the local economy, revitalising the market demand for shops, offices and industrial properties.

According to the figures from the Land Registry, the registration volume of non-residential properties substantially increased by 62.4% in 2021, outgrowing that of residential properties. Bottom fishing by veteran investors, normalisation of the business environment, strong retail sales growth and expectations of border reopening attributed to the outstanding performance of shops, offices, and industrial properties during the reporting period.

Nevertheless, the segment of shops, offices and industrial premises slowed down significantly in the second half of 2021. According to the Group's tally, the registration volume of shops, offices, and industrial properties in the second half of 2021 fell by 13.0%, 16.6% and 8.5%, respectively, as compared with those in the first half of 2021. One of the main reasons for the market adjustment was the negative wealth effect resulting from the correction of the local equities market, especially for some popular stocks, as well as the wave of the mainland developers' debt defaults during the reporting period.

OUTLOOK

Uncertain and Challenging Market Outlook

The outbreak of the Omicron variant after Lunar New Year of 2022, with the daily rate of infection climbing exponentially, has cast shadow on Hong Kong's economy. Due to the highly infectious nature of the Omicron variant, the Hong Kong government has implemented the toughest social-distancing rules since the onset of the pandemic. Undoubtedly, the local economy and the property market have been significantly impacted. The market transaction activity in the first half of 2022 is expected to fall to an extremely low level. Fortunately, in the Budget announced on 23 February 2022, the Financial Secretary unveiled the plan this year to relaunch the Consumption Voucher Scheme to give consumption vouchers amounting to HK$10,000 to each eligible Hong Kong citizen, a move which is believed to give a boost to the local retail market and subsequently drive the industrial premises, offices and shops market. The Group strongly believes that with the central government's support, Hong Kong will soon beat the fifth wave of COVID-19 outbreak. The Group is cautiously positive about the industrial premises, offices and shops market. It is believed that both sales activity and prices are likely to rebound once the pandemic is brought under control.

OUTLOOK (Continued)

Uncertain and Challenging Market Outlook (Continued)

Among the three segments of the non-residential property market, the performance of retail shops is expected to stand out. While a lot of tenants are expected to ask for rental remission, the amount of rental remission to be offered is likely to be less as retail rents have already fallen considerably in the past two years. Although the reopening of the border is not in sight, Hong Kong people who would normally have travelled overseas can only stay put, which to a certain extent offset the impact of the sharp decline in tourist arrivals on the retail sector. Although the shop segment is expected to be weak in the first half of 2022, but once the recent wave of outbreak is contained, it is believed that the retail industry is likely to rebound, and both the rental and buy-and-sell markets will turn active again.

In relation to the industrial segments, investors may have to face the challenge of interest rate hikes. In 2021, the demand for industrial units was strong because its relatively low lump-sum suited the appetite of most of the investors. The Group expects that the outlook of the interest rate environment will not be as favourable as that of the past two years. The pandemic-related supply chain issues coupled with a series of monetary and fiscal stimulus measures have prompted inflation in the US to reach multi-year high, forcing the US Federal Reserve Board to raise interest rates this year. As the liquidity in Hong Kong is still very ample, the cost of borrowing may not increase as much as the US interest rate.

The office sector has lost steam as remote working has gained strength again amid the fifth wave of the outbreak. Although demand for office space may pick up once the pandemic improves, it would be difficult for this segment to return to the previous level. There are market reports about some multinational companies having relocated their senior staff members to other Asia regions because of Hong Kong's stringent approach in dealing with COVID-19. It is believed that it may take some time for the multinational companies to resume their expansion in Hong Kong.

Mainland Policy Proved Effective and Favourable to Hong Kong

As the global economy slowly recovers, issues in the global supply chain resulting from pandemic-related stress, coupled with a series of monetary and fiscal stimulus measures of various nations have prompted inflation in the US to reach a multi-year high, forcing the US Federal Reserve Board to raise interest rates in 2022. In mid-March of 2022, the US Federal Reserve Board raised interest rate by 0.25% and signaled more hikes to come. The sharp volatility of the Hong Kong stock market and the increase in COVID-19 cases in Mainland have also brought negative impacts on the property sector. In addition, the conflicts between Ukraine and Russia still continue to escalate despite the progress of ceasefire negotiations. Economic sanctions imposed on Russia by various nations might exacerbate the global supply chain crisis and further dampen market sentiment. While the global central banks are on the course of monetary tightening in 2022, the central government has begun to launch stimulus economic measures. In the past few months, the reserve ratio was lowered and the benchmark lending rate was cut. If the central government's policies on loan and gearing ratio are switched to accommodative, the Hong Kong property market will also be benefitted. In addition, the support of the central government on the local capital market is also favourable to the long term development of the Hong Kong economy and property sector. At the same time, it is believed that the Hong Kong government will continue to roll out economic relief measures. As such, the Group still remains positive about the outlook of the industry.

Develop Business Steadily, Seize Investment Opportunities

During the reporting period, rental income from the Group's property investment portfolio increased as all the units at LMK Development Estate held by the Group have been leased out, and there were rental contributions from the shops acquired by the Group during the reporting period. During the reporting period, the Group acquired 7 shops and the acquisitions of 5 of which were completed in the second half of 2021. The Group is closely monitoring how the fifth wave of the outbreak will affect its income. The Group expanded its property investment portfolio through acquiring a series of shops in 2021 and will continue to do so when opportunities arise. Legend Credit, the Group's money lending unit, is expected to register steady growth in profit and loan size.

APPRECIATION

I would like to take this opportunity to express our heartfelt gratitude to our shareholders and customers for their continued support, and to our management and staff for their hard work in the past year. I hope we will continue to help each other and ride out this difficult time together, and to lead the Group towards a bright future.

WONG Kin Yip, Freddie
Chairman

Hong Kong, 29 March 2022

EXECUTIVE DIRECTORS

Mr. WONG Kin Yip, Freddie, aged 72, has been the Chairman and Executive Director of the Company since October 2019. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

Mr. WONG 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 established Midland Realty in 1973 and has over 48 years of experience in the real estate agency business in Hong Kong, China and overseas. He is a pioneer in the mortgage brokerage business and introduced mortgage referral services to Hong Kong. Mr. WONG is also the Chairman and Executive Director of Midland Holdings Limited ("Midland Holdings") (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 Luck Gain Holdings Limited and Wealth Builder Holdings 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 and Mr. WONG Alexander Yiu Ming, Executive Directors of the Company.

Ms. WONG Ching Yi, Angela, aged 41, has been an Executive Director of the Company since December 2011. She was an Executive Director of the Company from June 2007 to March 2008. She is also the Chairman of the Risk Committee of the Company.

Ms. WONG is responsible for formulating, overseeing and implementing the overall corporate strategies and policies as well as the corporate development and governance of the Group. She is also responsible for the overall management and sales operations of the Group, and oversees other functions ranging from finance, professional services, investor relations, information technology to corporate communications. Ms. WONG has solid experience in real estate industry and has been a key contributor to the growth and development of the Group. She has demonstrated strong leadership and has been instrumental in leading the Group to promote its strategies and meet challenges in the increasingly competitive environment. She introduced a series of strategic initiatives, which has improved the operating efficiency as well as strengthened the market position of the Group. Ms. WONG is also an Executive Director of Midland Holdings. She is a director and the vice president of Midland Charitable Foundation Limited.

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

Ms. WONG is a director of Luck Gain Holdings Limited and Wealth Builder Holdings Limited which are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. She is the daughter of Mr. WONG Kin Yip, Freddie, the Chairman, Executive Director and controlling shareholder of the Company, and the sister of Mr. WONG Alexander Yiu Ming, an Executive Director of the Company.

Mr. LO Chin Ho, Tony, aged 59, has been appointed as an Executive Director of the Company and the chief executive officer of the property agency business of the Group since July 2021. Mr. LO had been the director of the shops division of the property agency business of the Group prior to his appointment as the Executive Director of the Company. He joined the Group in 2001, and has over 29 years of experience in non-residential property agency industry, specialising in shops, in Hong Kong. He is a director of various members of the Group.

Mr. WONG Alexander Yiu Ming, aged 31, has been appointed as an Executive Director of the Company since August 2021. Mr. Alexander WONG had been the Associate Director of a subsidiary of the Company prior to his appointment as the Executive Director of the Company. He joined the Group in January 2014. He established and is responsible for the money lending business of the Group and assists in the formulation and implementation of the property and bonds investment strategies as well as enhancing the value of the investment properties of the Group. Mr. Alexander WONG is a member of the Hong Kong Institute of Certified Public Accountants. He graduated from The University of Nottingham with a bachelor's degree in Finance, Accounting and Management. Prior to joining the Group, he worked for an international property agency. He is the son of Mr. WONG Kin Yip, Freddie, the Chairman, Executive Director and controlling shareholder of the Company, and the brother of Ms. WONG Ching Yi, Angela, an Executive Director of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SHA Pau, Eric, aged 64, has been an Independent Non-Executive Director of the Company since March 2006. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

Mr. SHA is the founder and is currently the managing director of Konda Industries Limited, a special leather goods manufacturing and exporting firm. He has over 36 years of solid experience in international marketing field and specialises in corporate strategy formulation, overall management and marketing. Mr. SHA holds a bachelor's degree in arts from the University of Windsor, Ontario, Canada.

Mr. HO Kwan Tat, Ted, aged 57, has been an Independent Non-Executive Director of the Company since December 2007. He is also the Chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee of the Company.

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

Mr. HO has been an Independent Non-Executive Director of Midland Holdings since June 2017. 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. WONG Chung Kwong, aged 71, has been appointed as an Independent Non-Executive Director of the Company since July 2021. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. WONG has been in the local and mainland real estate markets for over 50 years and has solid experience in property mergers and acquisitions, property investment and asset management. Mr. WONG had worked in property development and management companies in Hong Kong and mainland. Mr. WONG was an executive director of CSI Properties Limited from April 2010 to August 2016 (a company listed on the Main Board of the Stock Exchange). Mr. WONG is currently a senior consultant in Wang On Properties Limited (a company listed on the Main Board of the Stock Exchange).

Mr. LI Wai Keung, aged 65, has been appointed as an Independent Non-Executive Director of the Company since March 2022. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. LI has more than 43 years of experience in financial management. Mr. LI graduated from the Hong Kong Polytechnic and holds a Master's degree in Business Administration from the University of East Asia, Macau (currently known as the University of Macau). He is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. LI is currently a standing member of Guangdong Provincial Committee of the Chinese People's Political Consultative Conference, the honorary president and director of Hong Kong Business Accountants Association, a member of China Overseas Friendship Association, and an advisor of Management Accounting of the Ministry of Finance, The People's Republic of China. He was also the former chairman of the Council of the Hong Kong Chinese Orchestra Limited.

Mr. LI is an independent non-executive director of four companies listed on the Main Board of the Stock Exchange, namely, Shenzhen Investment Limited, Hans Energy Company Limited, Centenary United Holdings Limited and China South City Holdings Limited.

Mr. LI was an executive director and chief financial officer of GDH Limited until his resignation effective from 27 June 2019 and 31 December 2019 respectively. He was also an executive director of Guangdong Land Holdings Limited and a non-executive director of Guangdong Investment Limited until his resignation effective from 20 February 2020 and 28 March 2020 respectively (both companies are listed on the Main Board of the Stock Exchange). Mr. LI had worked for Henderson Land Development Company Limited (a company listed on the Main Board of the Stock Exchange).

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

CORPORATE GOVERNANCE PRACTICES

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

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

BOARD OF DIRECTORS

(i) Board Responsibilities and Delegation

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

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

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

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

(ii) Board Composition

The Board currently comprises eight Directors with four Executive Directors and four 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
Mr. LO Chin Ho, Tony
Mr. WONG Alexander Yiu Ming

Independent Non-Executive Directors
Mr. SHA Pau, Eric
Mr. HO Kwan Tat, Ted
Mr. WONG Chung Kwong
Mr. LI Wai Keung

BOARD OF DIRECTORS (Continued)

(ii) Board Composition (Continued)

Save and except Mr. WONG Kin Yip, Freddie is the father of Ms. WONG Ching Yi, Angela and Mr. WONG Alexander Yiu Ming, and Ms. WONG Ching Yi, Angela is the sister of Mr. WONG Alexander Yiu Ming, none of the members of the Board are related to one another. The biographical details of the Directors are set out in the section of "Profile of Directors" on pages 7 to 9 of this Annual Report.

Taking into account the knowledge, expertise and experience of the Directors, the Board considers that the Directors have balanced skills, experience and diversity of perspectives appropriate to the business and development of the Group.

(iii) Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer of the Company are separated.

Mr. WONG Kin Yip, Freddie is the Chairman of the Company. The Chairman of the Company leads the Board and is responsible for ensuring that the Board functions effectively and acts in the best interests of the Company.

All other executive Directors (except the Chairman) take up the role of chief executive officer of the Company, and are responsible for formulating the corporate and business strategies and development, and the implementation of strategies and policies to achieve the overall objectives of the Group.

(iv) Board Meetings and Directors' Attendance

During the year ended 31 December 2021, the Board held five meetings to discuss and approve, inter alia, the interim and annual results and other significant issues of the Group. At least 14 days' notice of regular Board meetings is given to the Directors who are given the opportunity to include other matters in the agenda of meetings. Individual attendance records of each of the Directors at the respective meetings of the Board and Board committees and general meetings are set out on page 16 of this Annual Report.

(v) Non-Executive Directors

Mr. HO Kwan Tat, Ted, Mr. SHA Pau, Eric, Mr. WONG Chung Kwong and Mr. LI Wai Keung, all the current Independent Non-Executive Directors, have been appointed for a specific term of one and a half years. They are all 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 articles of association of the Company.

On 6 May 2021, Mr. YING Wing Cheung, William resigned as an Independent Non-Executive Director, and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Accordingly, the respective number of Independent Non-Executive Directors and Audit Committee members of the Company fell below the required minimum number under Rules 3.10(1) and 3.21 of the Listing Rules. On 1 July 2021, the Company announced the appointment of Mr. WONG Chung Kwong as an Independent Non-Executive Director and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Following the aforesaid appointment, the Company has fulfilled the requirement of the respective minimum number of Independent Non-Executive Directors and Audit Committee members under the Listing Rules.

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

BOARD OF DIRECTORS (Continued)

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

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

In accordance with the Company's articles of association, 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 at least once every three years. If an Independent Non-Executive Director serves 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 or the number of Directors who are to retire by rotation.

(vii) Directors' Training

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

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

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

	Training on corporate governance, regulatory development and/or other relevant topics
Executive Directors	
Mr. WONG Kin Yip, Freddie	✔
Ms. WONG Ching Yi, Angela	✔
Mr. LO Chin Ho, Tony	✔
Mr. WONG Alexander Yiu Ming	✔
Independent Non-Executive Directors	
Mr. SHA Pau, Eric	✔
Mr. HO Kwan Tat, Ted	✔
Mr. WONG Chung Kwong	✔

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 mainly operates as a general management committee with delegated authority from the Board. It has the authority delegated by the Board to approve matters relating to the daily operations and management and business affairs of the Group. 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 members, namely Mr. WONG Kin Yip, Freddie, Ms. WONG Ching Yi, Angela, Mr. LO Chin Ho, Tony and Mr. WONG Alexander Yiu Ming, all being the Executive Directors.

(ii) Audit Committee

As at the date of this Annual Report, the Audit Committee is chaired by Mr. HO Kwan Tat, Ted, with three other members, namely Mr. SHA Pau, Eric, Mr. WONG Chung Kwong and Mr. LI Wai Keung, all being the 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 is mainly responsible for, inter alia, reviewing the Group's financial statements including the interim and annual results and reports, the effectiveness of the Group's financial controls and internal control system and reviewing the Group's financial and accounting policies and practices. The Audit Committee makes recommendation to the Board on the selection and remuneration of the external auditor, and reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The written terms of reference of the Audit Committee setting out its roles and responsibilities are published on the websites of the Company and the Stock Exchange.

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

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

BOARD COMMITTEES (Continued)

(iii) Remuneration Committee

As at the date of this Annual Report, the Remuneration 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, Mr. SHA Pau, Eric, Mr. WONG Chung Kwong and Mr. LI Wai Keung. Majority of the Remuneration Committee members are Independent Non-Executive Directors.

The Remuneration Committee is mainly responsible for, inter alia, reviewing and determining the remuneration packages of individual Executive Directors and senior management of the Company and recommending the remuneration of the Non-Executive Directors (including Independent Non-Executive Directors) to the Board for approval. The written terms of reference of the Remuneration Committee setting out its roles and responsibilities are published on the websites of the Company and the Stock Exchange.

The work of the Remuneration Committee during the year included reviewing and making recommendations on the remuneration packages of the Directors to the Board for approval, reviewing the Group's overall remuneration, and making recommendations on the remuneration of two candidates who were proposed to be appointed as Executive Directors and one candidate who was proposed to be appointed as Independent Non-Executive Director of the Company to the Board for approval. No Director or any of his/her associate was involved in deciding his/her own remuneration. During the year, two Remuneration Committee meetings were held.

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

Remuneration bands	Number of person(s)
HK$0 – HK$1,000,000	1
HK$1,000,001 – HK$2,000,000	1
HK$2,000,001 – HK$3,000,000	1
HK$3,000,001 – HK$4,000,000	2

Details of Directors' emoluments and five highest paid individuals during the year are set out in note 9 to the consolidated financial statements on pages 91 to 93 of this Annual Report.

(iv) Nomination Committee

As at the date of this Annual Report, the Nomination Committee is chaired by Mr. WONG Kin Yip, Freddie, being an Executive Director and the Chairman of the Company, with four other members, namely Mr. SHA Pau, Eric, Mr. HO Kwan Tat, Ted, Mr. WONG Chung Kwong and Mr. LI Wai Keung. Majority of the Nomination Committee members are Independent Non-Executive Directors.

The Nomination Committee is mainly responsible for, inter alia, formulating and reviewing the nomination policy, making recommendations to the Board on the nomination, appointment and re-appointment of Directors and Board succession, and assessing the independence of the Independent Non-Executive Directors. 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 written terms of reference of the Nomination Committee setting out its roles and responsibilities are published on the websites of the Company and the Stock Exchange.

BOARD COMMITTEES (Continued)

(iv) Nomination Committee (Continued)

The work of the Nomination Committee during the year included reviewing the structure, size and composition of the Board, assessing the independence of the Independent Non-Executive Directors, making recommendation to the Board on the re-election of the retiring Directors, identifying individuals suitably qualified to become Directors of the Company by assessing the candidates' experience and standing, duties and responsibilities and expected contribution to the Group and making recommendations on the changes of composition of the Board and the Board committees, reviewing the board diversity policy and making recommendation to the Board for approval on the renewal of terms of appointment of Directors. During the year, two Nomination Committee meetings were held.

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

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

(v) Risk Committee

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

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

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

ATTENDANCE RECORDS AT THE MEETINGS OF THE BOARD AND BOARD COMMITTEES AND GENERAL MEETINGS

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

	Number of Meetings Attended/Held						
Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	Annual General Meeting	Extraordinary General Meeting
Executive Directors							
Mr. WONG Kin Yip, Freddie	5/5	N/A	2/2	2/2	N/A	1/1	1/1
Ms. WONG Ching Yi, Angela *(Note 1)*	5/5	N/A	N/A	N/A	1/1	1/1	1/1
Mr. LO Chin Ho, Tony *(Note 2)*	2/2	N/A	N/A	N/A	N/A	N/A	N/A
Mr. WONG Alexander Yiu Ming *(Note 3)*	1/1	N/A	N/A	N/A	N/A	N/A	N/A
Mr. WONG Hon Shing, Daniel *(Note 4)*	3/3	N/A	1/1	1/1	1/1	1/1	1/1
Independent Non-Executive Directors							
Mr. SHA Pau, Eric	5/5	2/2	2/2	2/2	N/A	1/1	1/1
Mr. HO Kwan Tat, Ted	5/5	2/2	2/2	2/2	N/A	1/1	1/1
Mr. WONG Chung Kwong *(Note 5)*	2/2	1/1	1/1	1/1	N/A	N/A	N/A
Mr. YING Wing Cheung, William *(Note 6)*	2/2	1/1	1/1	1/1	N/A	N/A	1/1
Mr. LI Wai Keung *(Note 7)*	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

1. Ms. WONG Ching Yi, Angela has been appointed as the chairman of the Risk Committee with effect from 1 July 2021. Other members of the Risk Committee are not Directors.

2. Mr. LO Chin Ho, Tony has been appointed as an Executive Director with effect from 1 July 2021.

3. Mr. WONG Alexander Yiu Ming has been appointed as an Executive Director with effect from 25 August 2021.

4. Mr. WONG Hon Shing, Daniel ceased to be a member of the Remuneration Committee and the Nomination Committee with effect from 6 May 2021 and resigned as an Executive Director and the chairman of the Risk Committee with effect from 1 July 2021.

5. Mr. WONG Chung Kwong has been appointed as an Independent Non-Executive Director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 1 July 2021.

6. Mr. YING Wing Cheung, William resigned as an Independent Non-Executive Director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 6 May 2021.

7. Mr. LI Wai Keung has been appointed as an Independent Non-Executive Director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 29 March 2022.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

On specific enquiries made, all the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions at all applicable times during the year ended 31 December 2021.

DIRECTORS' INTERESTS

Details of Directors' interests in the shares, underlying shares and debentures of the Company and its associated corporation are set out in the Report of the Directors on page 43 of this Annual Report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The reporting responsibilities of the independent auditor of the Company on the 2021 consolidated financial statements of the Group are set out in the "Independent Auditor's Report" on pages 53 to 59 of this Annual Report.

CORPORATE GOVERNANCE FUNCTION

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

AUDITOR'S REMUNERATION

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 for the year ended 31 December 2021 amounted to approximately HK$1,467,000 (2020: HK$1,257,000) and HK$589,000 (2020: HK$685,000) respectively. The non-audit services mainly include interim results review, taxation and other professional services.

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.

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

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

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

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

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

INSIDE INFORMATION

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

COMPANY SECRETARY

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

The 2021 annual general meeting of the Company was held on 17 June 2021. At the meeting, separate resolution was proposed by the chairman of the meeting in respect of each separate issue, including the re-election of individual retiring Directors, and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules. The Chairman of the Board and other Board members as well as the representative of PricewaterhouseCoopers attended the 2021 annual general meeting and had effective communication with shareholders of the Company.

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

During the year, there were no changes to the memorandum and articles of association of the Company.

SHAREHOLDERS' RIGHTS

(i) Procedures for Shareholders to Convene an Extraordinary General Meeting ("EGM")

The Board shall, at all times, on the requisition in writing to the Board or the Company Secretary of the Company by one or more shareholders 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 (the "Eligible Shareholder(s)"), forthwith proceed to convene an EGM in accordance with the articles of association of the Company.

If within twenty-one days of such deposit, the Board fails to proceed to convene such EGM, the requisitionist(s) himself/herself/themselves may do so in accordance with the articles of association of the Company, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

SHAREHOLDERS' RIGHTS (Continued)

(ii) Procedures for Putting Forward Proposals at EGM

Eligible Shareholders who wish to require an EGM to be called by the Board for the purpose of making proposals at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal office of the Company in Hong Kong at Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong for the attention of "Manager, Company Secretarial Department".

The Requisition must state clearly the name(s) of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda of the EGM including the details of the business(es) proposed to be transacted at the EGM, and signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder(s) will be verified with the Company's Hong Kong branch share registrar. If the Requisition is found to be proper and in order, the Board will convene an EGM within two months and/or include the proposal(s) or the resolution(s) proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not convene an EGM and/or include the proposal(s) or the resolution(s) proposed by the Eligible Shareholder at the EGM.

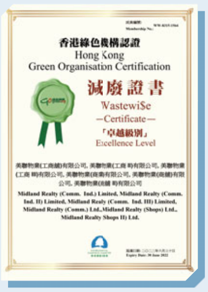
The procedures for a shareholder of the Company to propose a person for election as a Director is posted on the website of the Company.

(iii) Shareholders' Enquiries

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

Promoted environmental protection at full strength

Devoted to promoting environmental protection, the Group spared no effort in implementing and driving various measures to reduce waste and energy consumption in the office. Therefore, it was awarded the Wastewi$e Certificate (Excellence Level) and the Energywi$e Certificate (Good Level) by the Environmental Campaign Committee. This serves as a recognition of the Group's contribution to environmental protection.



Held charity hikes to raise fund for The Salvation Army

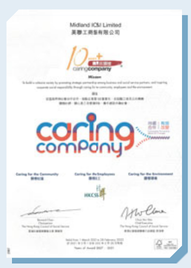
Committed to supporting various volunteer services and charitable causes, the Group took the initiative to organize charity hikes to raise fund for the "Be To-Gather" event organized by The Salvation Army in 2021, all proceeds of which would be used to provide rental subsidies to residents living in sub-divided units or underprivileged families facing financial difficulties due to the epidemic.

Earned multiple accolades by building a delightful working environment

The Group has always proactively provided internship and job opportunities for students so that they can accumulate working experience at an early stage and enhance communication skills and other skills alike. In addition, the Group also strives to build a delightful working environment for employees of all levels. Therefore, in praise of its social contribution, the Group received the "Partner Employer Award" granted by The Hong Kong General Chamber of Small and Medium Business and Vocational Training Council for the 9th consecutive year as well as the "Happy Company" title given by Hong Kong Productivity Council for the 5th consecutive year.

Was awarded the Caring Company Logo for 15 consecutive years

Being actively participating in various charitable activities over the years, the Group has been awarded the Caring Company Logo by The Hong Kong Council of Social Service for 15 consecutive years in praise of its exceptional contribution to caring for the society.



ABOUT THIS REPORT

Reporting Standards

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

Reporting Principles

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

- **Materiality:** Stakeholder engagement and materiality review is conducted to ensure that the ESG issues identified remain relevant and material to our business operations and stakeholders.

- **Quantitative:** Quantitative metrics are collected and regularly monitored to review the progress of our ESG initiatives.

- **Balance:** This report highlights both the achievement and improvement areas of our ESG management to show an unbiased picture of our ESG performance.

- **Consistency:** Consistent methodologies are adopted for meaningful comparison of our ESG performance. Remarks are provided in case of any change in data compilation methodologies and scope.

Reporting Scope and Boundary

Unless otherwise specified, this report covers the period from 1 January 2021 to 31 December 2021. It encapsulates the ESG performance and initiatives of our non-residential property agency services in respect of commercial and industrial properties and shops in Hong Kong.

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@midlandici.com.hk.

OUR ESG MANAGEMENT

ESG Management

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

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

OUR ESG MANAGEMENT (Continued)

Board Statement

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

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

Ethical Business Operation

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

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

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

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

During the reporting year, the Group was not aware of any conviction against any member of the Group arising out of the violation of laws or regulations against corruption, bribery, fraud, and money laundering, except 1 concluded legal case regarding corrupt practices brought against the employee of the Group and had been convicted.

OUR ESG MANAGEMENT (Continued)

Stakeholder Engagement and Materiality Assessment

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

Stakeholder Group	Engagement Channel
Management and Employees	• Townhall meeting • Monthly meetings • Intranet forum • Internal circulars • Grievance channels stated in Staff Handbook • Questionnaire
Investors	• Annual general meeting • Annual and interim reports • Corporate website • Investor circulars • Questionnaire
Suppliers	• Regular supplier review • Meetings
Customers	• Phone • Social media • Corporate website • Questionnaire
Community Partners/ Non-governmental Organisations (NGOs)	• Community programme collaboration • Voluntary services
Media	• Press release • Press conference • Mobile application for communication

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

Step 1 – Identification

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

Step 2 – Prioritisation

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

Step 3 – Validation

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

Step 4 – Review

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

OUR ESG MANAGEMENT (Continued)

Stakeholder Engagement and Materiality Assessment (Continued)

According to the stakeholder-based materiality assessment results, we conducted industry research and peer benchmarking during the reporting year to ensure that the list 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.

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

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

OUR CUSTOMERS

Product and Service Responsibility

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

Through leveraging technological innovations and digital applications, we continuously make use of digital platforms including mobile applications and social media to enhance our customer's experience. To enhance the delivery of quality services, the Group has launched "VR Property Visit" and property introduction videos which allow customers to view their ideal properties. 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.

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 the client's service. Documents containing customers' personal information are organised and locked in designated locations to avoid information leakage. Sample checking on document storage are conducted annually to ensure that we are compliant with the Policy.

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

Feedback Handling

We endeavour to continuously improve our customer's experience and satisfaction through communicating with them on a regular basis and listening to their concerns and feedback. The Group has formed a designated customer relationship team to handle customer feedback who are well-trained and skilled in handling customer enquiries and complaints. Customers can lodge their enquiries or complaints through various communication channels, including our customer hotline, email, mail and visitations. Once the complaint is received, the customer relationship team further investigates the feedback and works with relevant departments in a timely manner. A feasible solution is then developed for further discussion and agreement with the complainants. The results and follow-up actions taken are documented accordingly. During the reporting year, 18 service-related complaints were received and handled.

OUR EMPLOYEES

Employment Policy and Labour Standards

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

Going beyond legal compliance, we adopt a people-centric philosophy in our human resources strategy and policies to create a respectful, productive, and rewarding working environment for our employees. The Group's human resources policies have thus been established to stipulate relevant practices in recruitment, dismissal, promotion, working hours, holidays, equal opportunities, and compensation benefits. We also invest in our employees and aim to provide them with rewarding career paths 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 harassments.

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

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

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

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

OUR EMPLOYEES (Continued)

Training and Development

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

New-joiner Training

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

Core Training

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

Specialised Training

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

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

Besides internal training programmes, we also provide subsidies for external training, professional certificates, and examinations for our employees to keep pace with market development and pursue professional development courses of their choice. This helps encourage employees to pursue new knowledge and undertake life-long learning.

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

OUR EMPLOYEES (Continued)

Occupational Health and Safety

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

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

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 frontline and back-office staff with personal protective equipment and hygiene kits to promote the caring spirit of "Midland We Care" within and outside the Group. Subsidies were also provided to our employees for COVID-19 test and anti-pandemic supplies.

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

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

OUR ENVIRONMENT

Environmental Management

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

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

OUR ENVIRONMENT (Continued)

Climate Change and Energy Conservation

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

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

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

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

Waste Management

In anticipation of the launch of the Municipal Solid Waste Charging Scheme in the upcoming years, the Group has taken extra steps to strengthen waste management practices. Despite utilising the online and digital platforms, the paper waste remains the major type of 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 (Excellence Level) by the Hong Kong Green Organisation Certification this year.

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

OUR ENVIRONMENT (Continued)

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 Performance Data Summary

	Unit	Performance in 2021	Performance in 2020
Energy consumption			
Total electricity consumption	kWh	858,324	821,558
Energy intensity	GJ/employee	4.68	5.19
Greenhouse gas (GHG) emissions[1]			
Direct emissions (Scope 1)[2]	tonnes of CO_2 equivalent (tCO_2e)	0	0
Energy indirect emissions (Scope 2)[3]	tCO_2e	401.36	490.07
GHG emission intensity	tCO_2e/employee	0.61	0.86
Water consumption			
Total water consumption	cubic meter (m^3)	166	180
Water intensity	m^3/employee	0.25	0.32
Waste management[4]			
Fluorescent tube disposed	pieces	386	315
Electrical appliances/components disposed	pieces	21	166
Electrical appliances/components recycled	pieces	25	225
Paper recycled	kg	8,189	8,942

Notes:

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

2 Direct GHG emission (Scope 1) is generated from refrigerant consumption by water dispenser in the office of commercial property business segment. During the reporting year, there was no record of such refrigerant replacement.

3 Indirect GHG emission (Scope 2) is generated from electricity consumption by commercial, industrial and shops property business segments.

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

OUR SUPPLY CHAIN

Overview of Our Supply Chain

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

Supplier Selection and Monitoring

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

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

As we strive to minimise our environmental impact in our daily operations, we procure environmentally preferable products and services with a view to minimising adverse impact on environmental and human health when possible. For instance, we prioritises 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.

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, number of beneficiaries, participation frequencies and hours, and the number of employees who participated.

During the reporting year, the Group has donated over HK$200,000 to Midland Charitable Foundation to support local community development. We are honoured to have our devotion towards supporting and caring for our community be recognised with the Caring Company Logo by The Hong Kong Council of Social Service for 14 consecutive years.

Supporting the Community amid COVID-19

As the COVID-19 pandemic posed several challenges to individuals and our community, the Group has taken active and prompt actions in supporting those in need. In 2021, a charity walk was held to raise funds for The Salvation Army's "Be To-Gather" campaign. The funds were used to provide rental assistance to households living in sub-divided units or grassroots families who are facing financial problems due to the pandemic.

Due to the outbreak of the COVID-19 pandemic during the reporting year, we were unable to carry out various community initiatives. Nevertheless, as we consider community investment as a material issue, we look forward to strengthening our community investment efforts in a post-pandemic future.

OUR COMMUNITY (Continued)

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. For the ninth consecutive year, the Group was awarded the Certificate of Corporate Excellence by the Hong Kong General Chamber of Small and Medium Business and the Vocational Training Council in recognition of the Group's contribution to the community.

SOCIAL PERFORMANCE DATA TABLE

	Unit	2021
***Employee Profile*[1]**		
Total workforce	No. of people	660
Total workforce by employment type		
Full-time	No. of people	659
Part-time	No. of people	1
Total workforce by gender[2]		
Male	No. of people	354
Female	No. of people	305
Total workforce by employee category[2]		
General staff	No. of people	561
Middle management	No. of people	83
Senior management	No. of people	15
Total workforce by age group[2]		
18–29	No. of people	22
30–50	No. of people	304
Above 50	No. of people	333
Total workforce by geographic location[2]		
Hong Kong	No. of people	659
Employee Turnover		
Total employee turnover rate[3]	%	19% (Frontline: 19%) (Back-office: 29%)
Employee turnover rate by gender[3]		
Male	%	21%
Female	%	17%
Employee turnover rate by age group[3]		
18–29	%	41%
30–50	%	21%
Above 50	%	17%
Employee turnover rate by geographic location[3]		
Hong Kong	%	100%

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

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

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

SOCIAL PERFORMANCE DATA TABLE (Continued)

	Unit	2021
Development and Training		
Total workforce trained[4]	No. of people	732
Percentage of employees trained by gender		
Male	%	55%
Female	%	45%
Percentage of employees trained by employee category		
General staff	%	86%
Middle management	%	12%
Senior management	%	2%
Average training hours per employee by gender		
Male	Hours/employee	13.22
Female	Hours/employee	12.45
Average training hours per employee by employee category		
General staff	Hours/employee	12.12
Middle management	Hours/employee	17.92
Senior management	Hours/employee	15.63
Occupational Health and Safety		
Lost day due to work injury[5]	No. of days	4
Work-related fatalities	No. of people	Nil – there were no work-related fatalities occurred in each of the past three years including the reporting year (2021).
Supply Chain Management		
Number of suppliers by geographic location		
Hong Kong China	No. of suppliers	125

OUR ESG AWARDS

Awards for Environmental Performance

Organiser	Award and Recognition
Hong Kong Green Organisation Certification	Wastewi$e Certificate – Excellence Level
Hong Kong Green Organisation Certification	Energywi$e Certificate – Good Level
Estate Agents Authority	Estate Agents Energy Saving Award Scheme – 12 Branches Received the "Energy Saving Shop" Label

Awards for Employee Care and Social Responsibility

Organiser	Award and Recognition
Hong Kong Management Association & The Sales and Marketing Executives (SME) Club	Distinguished Salesperson Award (DSA)
The Hong Kong Council of Social Service	10 Years Plus Caring Company Logo
Promoting Happiness Index Foundation	Happiness at Work Promotional Scheme 2021 – Happy Company
The Hong Kong General Chamber of Small and Medium Business	Partner Employer Award 2021 (5 Years Plus)
Estate Agents Authority	CPD Mark for Estate Agencies

4 The total of workforce trained includes employees who left the Group during the reporting year.
5 The lost day is calculated based on sum of the number of injuries * number of days cannot attend to work.

APPENDIX: CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Reference/Remarks	Page
A. Environmental			
Aspect A1 Emissions			
General Disclosure		Environmental Management	29
KPI A1.1	The types of emissions and respective emissions data.	Air emissions are insignificant in the Group's business.	N/A
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	Environmental Performance Data Summary	31
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Environmental Performance Data Summary	31
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Environmental Performance Data Summary	31
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Climate Change and Energy Conservation	30
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	30
Aspect A2 Use of Resources			
General Disclosure		Environmental Management	29
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in'000s) and intensity.	Environmental Performance Data Summary	31
KPI A2.2	Water consumption in total and intensity.	Environmental Performance Data Summary	31
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Climate Change and Energy Conservation	30
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

APPENDIX: CONTENT INDEX (Continued)

Subject Areas, Aspects, General Disclosures and KPIs		Reference/Remarks	Page
Aspect A3 The Environment and Natural Resources			
General Disclosure		Environmental Management	29
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	31
Aspect A4 Climate Change			
General Disclosure		Environmental Management	29
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change and Energy Conservation	30
B. Social			
Employment and Labour Practices			
Aspect B1 Employment			
General Disclosure		Employment Policy and Labour Standards	27
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Social Performance Data Table	33
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Social Performance Data Table	33
Aspect B2 Health and Safety			
General Disclosure		Occupational Health and Safety	29
KPI B.2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Social Performance Data Table	33
KPI B.2.2	Lost days due to work injury.	Social Performance Data Table	33
KPI B.2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupational Health and Safety	29

APPENDIX: CONTENT INDEX (Continued)

Subject Areas, Aspects, General Disclosures and KPIs		Reference/Remarks	Page
Aspect B3 Development and Training			
General Disclosure		Training and Development	28
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Social Performance Data Table	33
KPI B3.2	The average training hours completed per employee by gender and employee category.	Social Performance Data Table	33
Aspect B4 Labour Standards			
General Disclosure		Employment Policy and Labour Standards	27
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment Policy and Labour Standards	27
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employment Policy and Labour Standards	27
Operating Practices			
Aspect B5 Supply Chain Management			
General Disclosure		Supplier Selection and Monitoring	32
KPI B5.1	Number of suppliers by geographical region.	Social Performance Data Table	33
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supplier Selection and Monitoring	32
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	32
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	32

APPENDIX: CONTENT INDEX (Continued)

Subject Areas, Aspects, General Disclosures and KPIs		Reference/Remarks	Page
Aspect B6 Product Responsibility			
General Disclosure		Product and Service Responsibility	26
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	This is not applicable to the Group's business.	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Feedback handling	26
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product and Service Responsibility	26
KPI B6.4	Description of quality assurance process and recall procedures.	Product and Service Responsibility	26
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Privacy and Data Protection	26
Aspect B7 Anti-corruption			
General Disclosure		Ethical Business Operation	23
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Ethical Business Operation	23
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Ethical Business Operation	23
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Ethical Business Operation	23
Community			
Aspect B8 Community Investment			
General Disclosure		Our Community Investment	32
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Our Community Investment	32
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Our Community Investment	32

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

ADOPTION OF CHINESE NAME

The Company has formally adopted the Chinese name of "美聯工商舖有限公司" as the dual foreign name of the Company with effect from 18 June 2021. The adoption of Chinese Name was approved by the shareholders of the Company at the annual general meeting of the Company held on 17 June 2021. Details relating to the adoption of Chinese name were set out in the announcements of the Company dated 29 March 2021 and 4 August 2021, and the circular of the Company dated 29 April 2021.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

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

Details of the analysis of the Group's performance for the year ended 31 December 2021 by operating segments are set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of comprehensive income on page 60 of this Annual Report.

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

DIVIDEND POLICY

The Company has adopted a dividend policy which sets out the policy in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others, the operating results, cash flow, financial condition and capital requirements of the Group and the interests of the shareholders of the Company.

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 Letter from Chairman on pages 4 to 6 and the Management Discussion and Analysis on pages 50 to 52 of this Annual Report. Description of the principal risks and uncertainties facing by the Group can be found in the Letter from Chairman on pages 4 to 6 and note 4 to the consolidated financial statements on pages 77 to 83 of this Annual Report. An analysis using financial key performance indicators can be found in the Management Discussion and Analysis on pages 50 to 52 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 22 to 38 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.

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.

BUSINESS REVIEW (Continued)

Relationships with key stakeholders (Continued)

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 10 to 20 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. 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 the 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 employment related ordinances, such as the Employment Ordinance, the Minimum Wage Ordinance, the Personal Data (Privacy) Ordinance, the ordinances relating to disability, sex, family status and race discrimination as well as the ordinance relating to occupational safety and health.

On the corporate level, the Company is committed to complying with the requirements under the Listing Rules and the Securities and Futures Ordinance (the "SFO") such as disclosure of information and corporate governance. The Company has complied with the code provisions set out in the Code throughout the year ended 31 December 2021. The Company has adopted its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in note 24 and note 35 to the consolidated financial statements respectively.

CHARITABLE DONATIONS

During the year, the Group made charitable donations totalling HK$307,000 (2020: HK$157,000).

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year are set out in note 15 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 17 to the consolidated financial statements. Details of the properties held for investment purposes are set out on pages 118 to 119 of this Annual Report.

SHARE CAPITAL

Details of the movement of the share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

DISTRIBUTABLE RESERVES

As at 31 December 2021, the reserves of the Company available for distribution to shareholders comprised the share premium, contributed surplus and retained earnings which in aggregate amounted to HK$1,248,399,000 (2020: HK$1,242,560,000). Under the Companies Act of the Cayman Islands, the share premium of the Company may be applied for paying distributions or dividends to shareholders subject to the provisions of the Company's articles of association and provided that immediately following the payment of distributions or dividends, the Company shall be able to pay its debts as they fall due in the ordinary course of business.

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 120 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 2021.

BOARD OF DIRECTORS

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

Executive Directors
Mr. WONG Kin Yip, Freddie *(Chairman)*
Ms. WONG Ching Yi, Angela
Mr. LO Chin Ho, Tony *(appointed with effect from 1 July 2021)*
Mr. WONG Alexander Yiu Ming *(appointed with effect from 25 August 2021)*
Mr. WONG Hon Shing, Daniel *(resigned with effect from 1 July 2021)*

Independent Non-Executive Directors
Mr. SHA Pau, Eric
Mr. HO Kwan Tat, Ted
Mr. WONG Chung Kwong *(appointed with effect from 1 July 2021)*
Mr. LI Wai Keung *(appointed with effect from 29 March 2022)*
Mr. YING Wing Cheung, William *(resigned with effect from 6 May 2021)*

According to Article 86(3) of the articles of association of the Company, Mr. LO Chin Ho, Tony, Mr. WONG Alexander Yiu Ming, Mr. WONG Chung Kwong and Mr. LI Wai Keung, all being Directors appointed by the Board during the period, shall hold office until the forthcoming annual general meeting of the Company (the "AGM") and, being eligible, shall offer themselves for re-election. Mr. WONG Kin Yip, Freddie and Mr. SHA Pau, Eric shall retire by rotation at the AGM in accordance with Article 87(1) of the articles of association 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 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, any of its subsidiaries, its fellow subsidiaries or its parent company 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 articles of association 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 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 and the Acquisition Agreement (as hereinafter defined), 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.

Pursuant to the acquisition agreement entered into on 10 January 2017 among Beyond Summit Investments Limited, a wholly-owned subsidiary of the Company, the purchaser and Mr. WONG Kin Yip, Freddie, being the Chairman and Executive Director of the Company, the seller (the "Acquisition Agreement"), zero coupon convertible note due 2021 in principal amount of HK$200 million at the initial conversion price of HK$0.46 (after the effect of share consolidation) per share were issued. The maximum number of shares to be issued upon conversion is 434,782,608 shares (after the effect of share consolidation) and none of them was issued up to 22 March 2021 (the maturity date of the convertible note). The convertible note has been fully redeemed by the Company on 22 March 2021. Details of the convertible note are set out in the Company's announcements dated 10 January 2017 and 22 March 2017 and the Company's circular dated 17 February 2017.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

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

(i) Long positions in the shares and underlying shares of the Company

	Number of ordinary shares			
Name of Director	Personal interest/ Beneficial owner	Corporate interest/ Interest of controlled corporation	Total	Approximate percentage of the issued voting shares of the Company
Mr. WONG Kin Yip, Freddie	33,061,500	897,401,928 *(Note)*	930,463,428	51.54%

Note: 273,907,222 shares of the Company were held by Sunluck Services Limited ("Sunluck Services") which was indirectly wholly-owned by Mr. WONG Kin Yip, Freddie through his wholly-owned company, namely Southern Field Trading Limited ("Southern Field"), and 623,494,706 shares of the Company were held by Wealth Builder Holdings Limited ("Wealth Builder") which was indirectly wholly-owned by Mr. WONG Kin Yip, Freddie through his wholly-owned company, namely Luck Gain Holdings Limited ("Luck Gain").

(ii) Long positions in the shares and underlying shares of the associated corporation of the Company

		Number of ordinary shares				
Name of associated corporation	Name of Director	Personal interest/ Beneficial owner	Corporate interest/ Interest of controlled corporation	Family interest/ Interest of spouse	Total	Approximate percentage of the issued voting shares of associated corporation
Powerful Surge Group Limited	Ms. WONG Ching Yi, Angela	5	–	–	5	5%

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

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

Long positions in the shares and underlying shares of the Company

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
Luck Gain	623,494,706 *(Note 1)*	Interest of controlled corporation/ Corporate interest	34.54%
Wealth Builder	623,494,706 *(Note 1)*	Beneficial owner/ Beneficial interest	34.54%
Southern Field	273,907,222 *(Note 2)*	Interest of controlled corporation/ Corporate interest	15.17%
Sunluck Services	273,907,222 *(Note 2)*	Beneficial owner/ Beneficial interest	15.17%
Ms. TANG Mei Lai, Metty	930,463,428 *(Note 3)*	Interest of spouse/ Family interest	51.54%

Notes:

1. Luck Gain, which was directly wholly-owned by Mr. WONG Kin Yip, Freddie, was deemed to be interested in the 623,494,706 ordinary shares held by its directly wholly-owned subsidiary, Wealth Builder, under the SFO. These interests are also disclosed as the interests of Mr. WONG Kin Yip, Freddie in the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" in this Annual Report.

2. Southern Field, which was directly wholly-owned by Mr. WONG Kin Yip, Freddie, was deemed to be interested in the 273,907,222 ordinary shares held by its directly wholly-owned subsidiary, Sunluck Services, under the SFO. These interests are also disclosed as the interests of Mr. WONG Kin Yip, Freddie in the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" in this Annual Report.

3. Ms. TANG Mei Lai, Metty was deemed to be interested in the 930,463,428 ordinary shares directly and indirectly held by her spouse, Mr. WONG Kin Yip, Freddie. These interests are also disclosed as the interests of Mr. WONG Kin Yip, Freddie in the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" in this Annual Report.

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

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 18 June 2020, the Company adopted the share option scheme (the "Share Option Scheme").

The major terms of the Share Option Scheme are summarised as follows:

(a) Purposes of the Share Option Scheme

The principal purposes of the Share Option Scheme are to enable the Group to recruit and retain high caliber Participants (as defined below) and attract human resources that are valuable to the Group, to recognize the contributions of the Participants to the growth of the Group by rewarding them with opportunities to obtain ownership interest in the Company, and to motivate and to give incentives to the Participants to continue to contribute to the long term success and prosperity of the Group.

(b) Participants of the Share Option Scheme

The Board may invite any Participant as the Board may in its absolute discretion select, having regard to each person's qualifications, skills, background, experience, service records and/or contribution or potential value to the relevant member(s) of the Group, to take up the options under the Share Option Scheme.

"Participant(s)" means any employees (whether full time or part time), senior executive or officer, manager, director (including executive, non-executive and independent non-executive director) or consultant of the Group who, as determined by the Board, have contributed or will contribute to the growth and development of the Group.

(c) Total number of shares available for issue

The total number of shares available for issue under the Share Option Scheme is 180,528,260 shares, representing approximately 10% of the issued shares of the Company as at the date of this Annual Report.

(d) Maximum entitlement of each Participant

The maximum number of shares issued and to be issued upon exercise of the options granted to each Participant under the Share Option Scheme and any other share option scheme(s) of the Company (including both exercised 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 options in excess of the above-mentioned limit shall be separately approved by the shareholders of the Company in general meeting with such Participant and such Participant's close associates (or his associates if such Participant is a connected person) abstaining from voting, and other requirements prescribed under the Listing Rules and/or other applicable statutory regulations or rules which must be complied with.

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

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

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

SHARE OPTION SCHEME (Continued)

(f) Time of exercise of option

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

(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 Share Option Scheme shall be a price solely determined by the Board and notified to a Participant and shall be at least 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 offer date;

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

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

(i) Remaining life of the Share Option Scheme

The Share Option Scheme became effective on 18 June 2020 and will remain in force for a period of ten years from the date of adoption.

There were no share options of the Company outstanding under the Share Option Scheme nor was any share option of the Company granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 December 2021.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for less than 30% of the total revenues of the Group during the year ended 31 December 2021.

The Group had no major suppliers due to the nature of the principal activities of the Group.

RELATED PARTY TRANSACTIONS

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

CONNECTED TRANSACTION

The following transaction between a connected person (as defined in the Listing Rules) of the Company and the Group was entered into and subsisted during the year for which relevant announcement had been made by the Company in accordance with the Listing Rules.

A tenancy agreement was made on 30 April 2019 between Midland Alliance Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shun Yik International Limited, a company directly wholly-owned by an associate of Ms. TANG Mei Lai, Metty (as at the date of the agreement, Ms. TANG Mei Lai, Metty was an Executive Director of the Company) and Ms. WONG Ching Yi, Angela, an Executive Director of the Company, as landlord whereby the landlord agreed to let the premises located at Nos. 11-17, 7th Floor, Tower B, New Mandarin Plaza, No. 14 Science Museum Road, Kowloon, Hong Kong as office for the real estate agency business of the Group for a term of three years commencing from 1 May 2019 to 30 April 2022 at a monthly rental of HK$250,000 without rent-free period (details of which were disclosed in the announcement of the Company dated 30 April 2019).

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.

A cross referral services agreement (the "Cross Referral Services Agreement (2021)") was made on 8 February 2021 between the Company and Midland Holdings Limited ("Midland Holdings"), an associate of Mr. WONG Kin Yip, Freddie (the Chairman, Executive Director and substantial shareholder of the Company), in relation to cross referral services provided between the relevant members of the Group and of Midland Holdings and its subsidiaries (the "Midland Group") for the period from 16 November 2020 to 15 November 2023, whereby the Midland Group may refer estate agency business in respect of industrial and commercial properties and shops in Hong Kong, Macau and the People's Republic of China (the "PRC") to the relevant members of the Group from time to time, and the Group may refer estate agency business in respect of residential properties in Hong Kong, Macau and the PRC to the relevant members of the Midland 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 extraordinary general meeting of the Company held on 1 April 2021.

Under the Cross Referral Services Agreement (2021), the annual caps for the referral fees paid/payable by the Group to the Midland Group for the period from 16 November 2020 to 31 December 2020, for the year ended 31 December 2021, for the year ending 31 December 2022 and for the period from 1 January 2023 to 15 November 2023 are HK$15 million, HK$110 million, HK$110 million and HK$95 million respectively, while the annual caps for the referral fees paid/payable by the Midland Group to the Group for the period from 16 November 2020 to 31 December 2020, for the year ended 31 December 2021, for the year ending 31 December 2022 and for the period from 1 January 2023 to 15 November 2023 are HK$10 million, HK$50 million, HK$50 million and HK$40 million respectively. Details relating to the Cross Referral Services 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 Midland Group and (ii) by the Midland Group to the Group for the year ended 31 December 2021 was approximately HK$58,521,000 and HK$27,171,000 respectively, which had not exceeded the respective cap value for that year.

CONTINUING CONNECTED TRANSACTIONS (Continued)

The Group had from time to time on separate occasions in its ordinary and usual course of business entered into different lease agreements and licence agreement with certain connected persons of the Company:

1. A tenancy agreement was made on 14 July 2020 between Bright Eastern Limited, an indirect wholly-owned subsidiary of the Company, as landlord and Midland Corporate Leasing (XV) Limited, an indirect wholly-owned subsidiary of Midland Holdings, as tenant whereby 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 2020 to 14 July 2022 at a monthly rental of HK$88,000 with a rent-free period of 4 months.

   The annual caps for the rental received/receivable by the Group for the years ended 31 December 2020 and 2021 and the year ending 31 December 2022 had been fixed at HK$416,000, HK$898,000 and HK$483,000 respectively. Details of which were disclosed in the announcement of the Company dated 14 July 2020. The total rentals received by the Group for the year ended 31 December 2021 was approximately HK$880,000, which had not exceeded the annual cap for the year.

2. A tenancy agreement was made on 18 March 2020 between Teamway Group Limited, an indirect wholly-owned subsidiary of the Company, as landlord and City First Limited, an indirect wholly-owned subsidiary of Midland Holdings, as tenant 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 2020 to 18 March 2021 at a monthly rental of HK$212,000 without rent-free period.

   The annual caps for the rental received/receivable by the Group for the years ended 31 December 2020 and 2021 had been fixed at HK$2,037,000 and HK$559,000 respectively. Details of which were disclosed in the announcement of the Company dated 14 July 2020. The total rentals received by the Group for the year ended 31 December 2021 was approximately HK$547,000, which had not exceeded the annual cap for the year.

Pursuant to Rule 14A.55 of the Listing Rules, the aforesaid continuing connected transactions (the "Continuing Connected Transactions") have been reviewed by the Independent Non-Executive Directors who have confirmed that the Continuing Connected Transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

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

The Company's auditor was engaged to report on the Continuing Connected Transactions 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 47 to 48 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 8 to the consolidated financial statements.

PRINCIPAL SUBSIDIARIES

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

BANK LOANS

An analysis of bank loans of the Group as at 31 December 2021 is set out in note 25 to the consolidated financial statements. Apart from the aforesaid, the Group had no other borrowings as at 31 December 2021.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the Executive Directors are reviewed by the Remuneration Committee and determined by the Board, having regard to the Group's operating results, individual performance and prevailing market condition. The emoluments of the 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. The Company has a share option scheme as an incentive to the Directors and eligible employees, details of the scheme are set out in the section headed "SHARE OPTION SCHEME".

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

Mr. WONG Kin Yip, Freddie is the Chairman and Executive Director of Midland Holdings and had interests in Midland Holdings, and Ms. WONG Ching Yi, Angela held directorships in Midland Group. Midland Group engaged in the businesses of real estate agency, surveying and money lending as the Group.

As the Board of the Company is independent of the board of directors of Midland Holdings and none of the above Directors can control the Board of the Company, the Group is therefore capable of carrying on its businesses independently of, and at arm's length from the business of Midland 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 2021 have been audited by PricewaterhouseCoopers, auditor of the Company, who shall retire and, being eligible, will offer themselves for re-appointment at the AGM.

On behalf of the Board
Midland IC&I Limited

WONG Ching Yi, Angela
Executive Director

Hong Kong, 29 March 2022

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2021, the Group had cash and cash equivalents of HK$285,825,000 (2020: HK$478,319,000) and bonds investment of HK$6,373,000 (2020: HK$45,031,000), whilst bank loans amounted to HK$421,974,000 (2020: HK$134,332,000).

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

	2021 HK$'000	2020 HK$'000
Secured bank loan with repayment on demand clause *(note)*		
– repayable within 1 year	**–**	1,312
– repayable after 1 year but within 2 years	**–**	1,075
– repayable after 2 years but within 5 years	**–**	945
	–	3,332
Secured bank loans without repayment on demand clause		
– repayable within 1 year	**54,246**	–
– repayable after 1 year but within 2 years	**14,246**	–
– repayable after 2 years but within 5 years	**353,482**	131,000
	421,974	131,000
	421,974	134,332
Convertible note		
– repayable within 1 year	**–**	198,688

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.

The Group's bank loans were secured by certain investment properties held by the Group of HK$853,200,000 (2020: HK$279,900,000). As at 31 December 2021, the Group had unutilised borrowing facilities amounting to HK$105,000,000 (2020: HK$65,000,000) from banks. The Group's cash and bank balances are deposited in Hong Kong dollars and the Group's bank loans are in Hong Kong dollars. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

During the year, the Company has fully redeemed the convertible note at its principal amount of HK$200 million.

As at 31 December 2021, the gearing ratio of the Group was 37.1% (2020: 30.6%). The gearing ratio is calculated on the basis of the Group's total bank loans and convertible note over total equity of the Group.

The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 2.7 (2020: 1.9). The return on equity of the Group, which is the ratio of profit/(loss) for the year over total equity was 4.4% (2020: –0.7%).

FINANCIAL REVIEW (Continued)

Liquidity and financial resources (Continued)

Consistent with the overall treasury objectives and policy, the Group undertakes treasury management activities with respect to its available cash so as to generate investment return to enhance the Group's financial position. The criteria for selection of investments will include (i) the risk profile involved and not speculative in nature; (ii) the liquidity of an investment; (iii) the after tax equivalent yield of an investment; and (iv) structured products are prohibited. In line with its liquidity objectives, the Group invests mostly in liquid instruments, products or equities with good credit quality. Investment in fixed income products are structured in different maturity profile to cater for ongoing business development. As at 31 December 2021, the Group has short term bank deposits of HK$72,715,000 (2020: HK$349,844,000) and bonds investment of HK$6,373,000 (2020: HK$45,031,000).

The Group's income and monetary assets and liabilities are mainly denominated in Hong Kong dollars. The directors of the Company (the "Directors") consider that the foreign exchange exposure of the Group is minimal.

Acquisition of properties

(i) Acquisitions completed during the reporting period

During the period from May to July 2021, the Group entered into several properties acquisition agreements (the "Properties Acquisition Agreements") and a target company acquisition agreement (the "Target Company Acquisition Agreement").

Pursuant to the Properties Acquisition Agreements, the Group has agreed to acquire 4 shops in Hong Kong with total consideration of HK$122.1 million. These transactions were completed during the period from August to October 2021.

Details of the acquisitions were set out in the Company's announcements dated 7 May 2021, 14 May 2021, 9 June 2021 and 7 July 2021.

Pursuant to the Target Company Acquisition Agreement, the Group has agreed to acquire the entire issued shares (and including the assignment of sale debt) of the target company at a consideration of HK$34.8 million. The principal asset of the target company is a shop in Hong Kong. This transaction was completed in September 2021.

Details of the acquisition were set out in the Company's announcement dated 13 May 2021.

(ii) Acquisitions completed/to be completed after the reporting period

During the period from August to December 2021, the Group has further entered into a property acquisition agreement (the "New Property Acquisition Agreement") and a target company acquisition agreement (the "New Target Company Acquisition Agreement").

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

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

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

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

FINANCIAL REVIEW (Continued)

Acquisition of properties (Continued)

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

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

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

As at 31 December 2021, the outstanding loan receivable was HK$317.7 million (2020: HK$114.3 million). The outstanding loan balance involved 41 cases (2020: 21 cases) with different borrowers. The single largest loan granted was HK$55.0 million (representing approximately 17% of the outstanding loan portfolio as a whole) which was secured by a first mortgage over a residential property located at a prime location with a loan to value ratio of 74%. Amongst the outstanding loan portfolio, over 97% was secured by first mortgage over residential and non-residential properties, with an overall loan to value ratio of 60%. No impairment loss on loan was made during the year under review.

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

All loans advanced by Legend Credit are subject to approval on a case-by-case basis by a credit committee, which comprises members of the senior management who possess expertise in the property and financing fields. The credit assessment is based on the financial strength and repayment ability of the borrower, the collateral provided, prevailing market and competitive conditions and interest rate environment.

Interest rates on loans are offered based on the assessed degree of credit risks, loan period, loan amount, availability of funds, and any other relevant business relationships with the borrower.

The Group manages its loan portfolio to minimize concentration by the relationship between borrowers to maintain a diversified client base and lessen credit risk exposures. Legend Credit's collection team will conduct periodic review of its portfolio to monitor risks of default. Details on the credit policy and credit risk arising from loan receivables are set out in note 4(a)(i) to the consolidated financial statements.

Contingent Liabilities

As at 31 December 2021, the Company executed corporate guarantee amounting to HK$527,650,000 (2020: HK$210,780,000) as the securities for general banking facilities and bank loans granted to certain subsidiaries. As at 31 December 2021, banking facilities of HK$421,974,000 (2020: HK$134,332,000) were utilised by these subsidiaries.

The Group has been involved in certain claims/litigations in respect of property agency services, including a number of cases in which third party customers alleged that certain Group's employees, when advising the customers, had made misrepresentations about the properties that the customers intended to acquire. Among which, a trial of a case with a claim of HK$120,600,000 will commence on 16 May 2022. After seeking legal advice, the management is of the opinion that either an adequate provision has been made in the consolidated financial statements to cover any potential liabilities or that no provision is required as based on the current facts and evidence there is no indication that an outflow of economic resources is probable.

Employee information

As at 31 December 2021, the Group employed 659 full-time employees (2020: 570).

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

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF MIDLAND IC&I LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Midland IC&I Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 60 to 117, comprise:

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

Our opinion

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

BASIS FOR OPINION

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

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

Independence

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

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

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

- Revenue recognition for property agency fees
- Impairment of trade receivables
- Valuation of investment properties

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for property agency fees	
Refer to notes 3(u) and 5(a) to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates. For the year ended 31 December 2021, property agency fees amounted to approximately HK$498.6 million, representing 92.1% of the revenues reported by the Group. The entitlement to agency fee income includes an element of consideration that is variable or contingent on the outcome of future events. Actual agency fee income to be received is dependent upon, among others, the likelihood of eventual completion of transaction between buyers and sellers, price concession based on customary industry practice and payment plans chosen by the buyers.	We obtained an understanding of management's internal control and assessment process of revenue recognition for property agency fee and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. We evaluated and tested the design and operating effectiveness of the key management controls, including the relevant information technology systems, over revenue recognition for property agency fees. We performed retrospective review by comparing previous estimates to actual outcome, and evaluated the outcome of prior period assessment of revenue recognition to assess the effectiveness of management's estimation process. We tested the underlying data, on a sample basis, for the calculation of the historical recoverable rates.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for property agency fees (Continued)	
Management estimated the amount of property agency fee income to the extent that it is highly probable, taking into consideration of the historical recoverable rates and the risk of fallen through and price concession of individual transactions, that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. We focused on this area because the estimation of the variable consideration is subject to high degree of estimation uncertainty. The inherent risk in relation to the assessment on revenue recognition for property agency fees is considered significant because management has made significant and subjective judgements on selection of method and data.	We tested, on a sample basis, the variable consideration recognised based on the terms set out in the contracts, the completion status of the transaction and other relevant factors. We also took reference to the general market conditions and management's knowledge about individual contracted parties in evaluating the estimation of variable consideration. Based upon the above procedures performed, we considered that the judgements and estimations made by management on the revenue recognition for property agency fees were supported by the available evidence.
Impairment of trade receivables	
Refer to notes 3(i), 4(a)(i) and 5(b) to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates. As at 31 December 2021, the Group had gross trade receivables of approximately HK$159.9 million against which a provision for impairment of approximately HK$36.2 million was recognised.	We obtained an understanding of management internal control and impairment assessment process of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. We evaluated and validated the key controls performed by management over the impairment assessment process, in particular those over the identification of impaired receivables and the calculation of provisions according to the lifetime expected credit losses ("ECLs") model.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables (Continued)	
The Group applied the HKFRS 9 simplified approach to measure lifetime ECLs allowance for all trade receivables. Management identified trade receivables with impairment indicators with reference to their knowledge about the customers, the completion status of related property transactions and the market conditions, and made impairment provision for these trade receivables accordingly. Management grouped the remaining trade receivables with similar credit risk characteristics and ageing profile, and estimated ECLs rates based on historical credit loss rates for different groups and adjusted to reflect the current and forward-looking information on macroeconomic factors when they are considered relevant to determine the ability of customers to settle the receivables in the future. We focused on this area because the estimation of ECLs involved a significant level of judgement by management to determine the use of internal and external data from various sources to establish the historical credit loss experience and to adjust this experience for expected future changes, recognising that these factors are all subject to a certain level of uncertainty.	We performed retrospective review by comparing previous estimates to actual outcome, and evaluated the outcome of prior period assessment of impairment of trade receivables to assess the effectiveness of management's estimation process. We understood the status of each of the material trade receivables past due as at year end, information about contracted parties and subsequent settlements, if any, through discussion with management. We reviewed, on a sample basis, the impairment provision recognised based on the completion status of the transactions, general market conditions and management's knowledge about individual contracted parties. We performed testing, on a sample basis, of the accuracy of the trade receivables ageing report. We evaluated management's assessment of the historical credit loss rates by sample checking inputs in respect of the assumptions made, such as historical payment records, reviewing correspondence on any disputes or claims with the customers and subsequent settlement records. We checked the computation of the amount of provision and evaluated the expected future changes in credit risks in management's assessment by reviewing the inputs to the assumptions to external data sources. Based on the results of the procedures performed, we found management's judgement and assumptions applied in respect of the impairment of trade receivables to be supported by available evidence.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of investment properties	
Refer to note 3(e), 5(c) and note 17 to the consolidated financial statements for the disclosures of the related accounting policies, judgements and estimates. As at 31 December 2021, the Group's investment properties of approximately HK$974.2 million were measured at fair value in the consolidated balance sheet, representing 54.3% of total assets reported by the Group. There was a fair value loss of approximately HK$2.7 million recorded in the consolidated statement of comprehensive income for the year. The Group's investment properties comprised commercial and industrial units, serviced apartments and shops in Hong Kong. Management engaged an independent professional valuer to determine the valuation of the Group's investment properties. The valuation was derived using the income capitalisation method and direct comparison method, wherever appropriate, and relevant key assumptions included prevailing market rents, capitalisation rates and sales price of comparable properties. We focused on this area because these investment properties were significant to the Group and significant judgments and estimates were involved in the valuation of investment properties. Changes in these estimates could result in material changes to the valuation of the properties and hence the results of the Group.	We evaluated the external valuers' competence, capabilities and objectivity by considering their independence, professional qualifications and relevant experience in the markets where the Group's investment properties are located, and discussed the scope of their work, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. We obtained the valuation report of the investment properties and considered the appropriateness and consistency of methodologies used in the property valuation based on our knowledge of the industry and market practice. We involved our internal valuation specialists to assess, on a sampling basis, the valuation methodologies and the key assumptions used by the valuers, and compared the rental yields of similar properties and capitalisation rates used in the valuation process to our independently formed market expectation. We, together with our internal valuation specialists, attended meetings with valuer to discuss the valuation and key assumptions used and challenged the methodologies used by the valuers and appropriateness of the key assumptions based on our knowledge of the properties, research evidence of reversionary yields, prevailing market rents and estimated selling prices with reference to comparable market transactions for similar properties. We tested, on a sample basis, the accuracy of the valuation input data on existing leases by agreeing the rental income and lease terms to the signed lease agreements. Based on the results of the procedures performed, we found the methodologies used and key assumptions adopted in the valuation of investment properties were supported by the available evidence.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2022

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Revenues	6(a)	541,319	342,677
Other (loss)/income, net	7	(1,797)	1,183
Staff costs	8	(307,853)	(194,298)
Rebate incentives		(73,692)	(62,124)
Advertising and promotion expenses		(8,430)	(7,961)
Amortisation of right-of-use assets		(26,347)	(31,317)
Depreciation of property and equipment		(1,738)	(2,613)
Net impairment losses on financial assets		(7,321)	(14,774)
Other operating costs	10	(46,349)	(34,399)
Operating profit/(loss)		67,792	(3,626)
Bank interest income	11	249	6,049
Interest on bank loans	11	(3,129)	(3,168)
Interest on convertible note	11	(1,829)	(8,041)
Interest on lease liabilities	11	(476)	(763)
Profit/(loss) before taxation		62,607	(9,549)
Taxation	12	(12,723)	1,518
Profit/(loss) and total comprehensive profit/(loss) for the year		49,884	(8,031)
Profit/(loss) and total comprehensive profit/(loss) attributable to:			
Equity holders		49,839	(7,275)
Non-controlling interests		45	(756)
		49,884	(8,031)
		HK cents	HK cents
Earnings/(loss) per share	14		
Basic		2.761	(0.403)
Diluted		2.690	(0.403)

Consolidated Balance Sheet

As at 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property and equipment	15	3,626	2,570
Right-of-use assets	16	26,361	20,168
Investment properties	17	974,200	813,600
Deposits	20	28,401	–
Loan receivables	21	10,000	–
Other financial assets at amortised cost	18	4,036	27,796
Deferred tax assets	19	6,349	10,755
		1,052,973	874,889
Current assets			
Trade and other receivables	20	142,271	116,617
Loan receivables	21	307,721	114,340
Other financial assets at amortised cost	18	2,337	17,235
Tax recoverable		2,146	6,386
Cash and cash equivalents	22	285,825	478,319
		740,300	732,897
Total assets		1,793,273	1,607,786
EQUITY AND LIABILITIES			
Equity holders			
Share capital	23	180,528	180,528
Share premium	23	745,086	745,086
Reserves	24	205,297	155,458
		1,130,911	1,081,072
Non-controlling interests		6,953	6,908
Total equity		1,137,864	1,087,980

Consolidated Balance Sheet

As at 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	19	6,445	4,531
Lease liabilities	16	11,213	4,456
Bank loans	25	367,728	131,000
		385,386	139,987
Current liabilities			
Trade and other payables	27	186,740	155,512
Amounts due to non-controlling interests	28	420	420
Lease liabilities	16	20,736	18,236
Bank loans	25	54,246	3,332
Tax payable		7,881	3,631
Convertible note	26	–	198,688
		270,023	379,819
Total liabilities		655,409	519,806
Total equity and liabilities		1,793,273	1,607,786

The consolidated financial statements on pages 60 to 117 were approved by the Board of Directors on 29 March 2022 and were signed on its behalf.

WONG Ching Yi, Angela
Director

LO Chin Ho, Tony
Director

	Attributable to equity holders of the Company					
	Share capital HK$'000	Share premium HK$'000	Reserves HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	180,528	745,086	155,458	1,081,072	6,908	1,087,980
Total comprehensive profit						
Profit for the year	–	–	49,839	49,839	45	49,884
At 31 December 2021	180,528	745,086	205,297	1,130,911	6,953	1,137,864
At 1 January 2020	180,528	745,086	162,733	1,088,347	7,664	1,096,011
Total comprehensive loss						
Loss for the year	–	–	(7,275)	(7,275)	(756)	(8,031)
At 31 December 2020	180,528	745,086	155,458	1,081,072	6,908	1,087,980

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Net cash used in operations	30(a)	(100,171)	(5,677)
Hong Kong profits tax refunded/(paid)		2,087	(5,964)
Bank interest paid		(3,129)	(3,168)
Interest element of lease payments		(476)	(763)
Net cash outflow from operating activities		(101,689)	(15,572)
Cash flows from investing activities			
Net cash outflow from the acquisition of a subsidiary	29	(34,568)	–
Acquisition of property and equipment	15	(2,794)	(880)
Deposits paid for a property and a company acquisition		(28,401)	–
Acquisition of investment properties	17	(128,491)	–
Proceeds from disposal/redemption of other financial assets at amortised cost		38,841	1,599
Acquisition of other financial assets at amortised cost		–	(22,038)
Bank interest received		249	6,049
Net cash used in investing activities		(155,164)	(15,270)
Cash flows from financing activities			
Proceeds from borrowings		291,000	–
Repayment of bank loan		(3,358)	(1,022)
Principal element of lease payments		(23,283)	(33,996)
Advances from non-controlling interests		–	420
Redemption of convertible note	26	(200,000)	–
Net cash from/(used in) financing activities		64,359	(34,598)
Net decrease in cash and cash equivalents		(192,494)	(65,440)
Cash and cash equivalents at 1 January		478,319	543,759
Cash and cash equivalents at 31 December		285,825	478,319

1 GENERAL INFORMATION

Midland IC&I Limited (the "Company") is a limited liability company incorporated in the Cayman Islands and listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its head office and principal place of business in Hong Kong is Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

The principal activities of the Company and its subsidiaries (together, the "Group") are the provision of property agency services in respect of commercial and industrial properties and shops, properties investment, credit business and securities investment in Hong Kong.

Significant event and transactions completed during the year

During the year, the Group has completed the acquisition of investment properties of HK$163,291,000 (including transaction costs).

2 BASIS OF PREPARATION

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Subsidiaries

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

(i) Consolidation

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 gain 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.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of 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 statement of comprehensive income. 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. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Subsidiaries (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.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary 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.

(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 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 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 profit or loss.

(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 statement of comprehensive income 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 and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partially disposed or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Foreign currency translation (Continued)

(iii) Group companies (Continued)

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 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 in the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the period of lease
Furniture and fixtures	4 years
Office equipment	4 years
Motor vehicle	4 years

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The 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 statement of comprehensive income.

(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 statement of comprehensive income as part of other income or other operating costs.

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 statement of comprehensive income during the financial period in which they are incurred.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investment properties (Continued)

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 statement of comprehensive income.

(f) Impairment of investments in subsidiaries 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 subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary 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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investments and other financial assets (Continued)

(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.

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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of financial assets

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

Measurement of ECL

ECL is a probability-weighted estimate of credit losses.

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

In measuring ECL, 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.

ECL is measured on either of the following bases:

- 12-month ECL: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- Lifetime ECL: 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 ECL.

Loss allowances for trade 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 for trade receivables are always measured at an amount equal to lifetime ECL. ECL is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other receivables, loan receivables and other financial assets at amortised cost, the Group recognises a loss allowance equal to 12-month ECL 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 ECL.

(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 provision for impairment.

(k) Loan receivables

Loan receivables are 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 rate method less provision for impairment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

(m) Share capital

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

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity.

(n) Trade and other payables

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

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

(o) Convertible note

For share-based payment transactions in which the Group has granted the counterparty the right to choose whether a share-based payment transaction is settled in cash or by issuing equity instruments, the Group has granted a compound financial instrument, which includes a debt component (i.e. The counterparty's right to demand payment in cash) and an equity component (i.e. The counterparty's right to demand settlement in equity instruments rather than in cash). For transactions with parties other than employees, in which the fair value of the goods or services received is measured directly, the Group measures the equity component of the compound financial instrument as the difference between the fair value of the goods or services received and the fair value of the debt component, at the date when the goods or services are received.

The Group accounts separately for the goods or services received or acquired in respect of each component of the compound financial instrument. For the debt component, the Group recognises the goods or services acquired, and a liability to pay for those goods or services, as the counterparty supplies goods or renders service, in accordance with the requirements applying to cash-settled share-based payment transactions. For the equity component, the Group recognises the goods or services received, and an increase in equity, as the counterparty supplies goods or renders service, in accordance with the requirements applying to equity-settled share-based payment transactions. For cash-settled share-based payment transactions, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

(p) Borrowings

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 profit or loss 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 countries where the subsidiaries 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 tax 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, deferred tax 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 tax is determined using tax rates (and laws) that have been enacted or substantially 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.

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 tax 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 assets 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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(ii) Retirement scheme obligations

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

(iii) Share-based payment

– *Equity-settled share-based payment transactions*

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

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

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

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

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

– *Share-based payment transactions among group entities*

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 and money lending services, the securities investment or the use by others of the Group's assets under leases in the ordinary course of the activities of the Group.

(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 using portfolio approach, 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) Income from operating leases

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

(iii) Interest income from loan receivables, securities investment and finance income

Interest income from loan receivables, securities investment and finance income are recognised on a time proportion basis using the effective interest method.

(v) Leases

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Leases (Continued)

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Leases (Continued)

All leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. 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 as 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 consolidated 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.

(w) Dividend distribution

Dividend distribution is recognised as a liability in the consolidated financial statements in the financial period in which the dividends are approved by the shareholders or directors, as appropriate.

(x) Contingent liabilities

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

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

(y) 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 profit or loss over the period necessary to match them with the costs that they are intended to compensate.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade receivables, loan receivables and contractual cash flows of debt instruments carried at amortised cost. 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 collateral and contractual terms to ensure that adequate impairment is made for the irrecoverable amounts.

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

The Group's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

Impairment of financial assets

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

Loan receivables

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

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

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

Loan receivables (Continued)

Majority of loan receivables consist of first charge mortgage on real estate in Hong Kong. The loan-to-value ratio, which is calculated as the carrying amount of the loan at the balance sheet date as a percentage of the estimated current market value of collateral, ranges from 19% to 79% as at year end (2020: 13% to 78%). Valuations are updated on a regular basis and more frequently when market conditions are subject to significant change or where a loan is identified and assessed as impaired.

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

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 large corporations and have strong financial position based in Hong Kong and no impairment indicators and management considers the credit risk is close to zero.

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

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

To measure the ECL, these trade receivables have been grouped based on the days past due and the sectors of the transacted properties (i.e. commercial properties, shops and industrial properties).

The expected loss rates are based on the latest completed historical payment profile of sales over a period of 12 month and the corresponding historical credit losses experienced within that period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, if any.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

Trade receivables (Continued)

On these basis, the loss allowances for trade receivables as at 31 December 2021 and 31 December 2020 were determined as follows:

As at 31 December 2021

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance Individually assessed HK$'000	Loss allowance Collectively assessed HK$'000	Total HK$'000
Current (not yet due)	5.1%-14.1%	119,445	(845)	(6,084)	(6,929)
Less than 30 days past due	0.7%-20.3%	6,173	–	(556)	(556)
31-60 days past due	1.5%-36.5%	1,846	–	(492)	(492)
61-90 days past due	2.6%-45.0%	4,750	(1,791)	(1,134)	(2,925)
More than 90 days past due	3.3%-100%	27,667	(22,851)	(2,456)	(25,307)
		159,881	(25,487)	(10,722)	(36,209)

As at 31 December 2020

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance Individually assessed HK$'000	Loss allowance Collectively assessed HK$'000	Total HK$'000
Current (not yet due)	4.5%-15.0%	81,268	(460)	(4,138)	(4,598)
Less than 30 days past due	0.8%-7.7%	10,854	(75)	(597)	(672)
31-60 days past due	3.7%-19.0%	3,006	–	(405)	(405)
61-90 days past due	7.9%-31.0%	2,163	(1,345)	(56)	(1,401)
More than 90 days past due	13.0%-100%	29,329	(24,021)	(4,665)	(28,686)
		126,620	(25,901)	(9,861)	(35,762)

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

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

Trade receivables (Continued)

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

	2021 HK$'000	2020 HK$'000
At 1 January	35,762	32,516
Provision for impairment	7,321	14,774
Write-off of uncollectible debts	(6,874)	(11,528)
At 31 December	36,209	35,762

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

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

Other financial assets at amortised cost, deposits and other receivables

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

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

(ii) Cash flow and fair value interest rate risk

The Group has no significant interest bearing assets and liabilities other than bank deposits, bank borrowings and a convertible note at variable rates.

At the balance sheet date, if interest rates had been 25 basis point higher/lower with all other variables held constant, the Group's profit after taxation and equity would have been approximately HK$435,000 lower/higher for the year ended 31 December 2021 (2020: loss after taxation and equity would have been approximately HK$700,000 lower/higher).

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) 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. 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 25) 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 and corporate bonds. As at 31 December 2021, the Group has short term bank deposits of HK$72,715,000 (2020: HK$349,844,000) and corporate bonds of HK$6,373,000 (2020: HK$45,031,000).

The following tables show the remaining contractual maturity at the end of the reporting period of the Group's financial liabilities based on undiscounted cash flows and the earliest date the Group can be required to pay. Specifically, for the bank loan which contains a repayment on demand clause which can be exercised at the banks' sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loan with immediate effect. Balances due within 12 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$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount HK$'000
As at 31 December 2021					
Trade and other payables	–	186,740	–	186,740	186,740
Lease liabilities	–	21,035	11,318	32,353	31,949
Bank loans	–	59,294	380,377	439,671	421,974
	–	267,069	391,695	658,764	640,663
As at 31 December 2020					
Trade and other payables	–	155,512	–	155,512	155,512
Lease liabilities	–	18,489	4,476	22,965	22,692
Bank loans	3,473	3,039	141,606	148,118	134,332
Convertible note	–	200,000	–	200,000	198,688
	3,473	377,040	146,082	526,595	511,224

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Foreign exchange risk

As at 31 December 2021, all the Group's assets and liabilities are denominated in HK dollars except the other financial assets at amortised cost are denominated in US dollars. As HK dollars is pegged with US dollars, the foreign currency risk exposure in respect of US dollars is considered minimal.

(b) Capital risk management

The Group's objectives when managing capital are to finance its operations and to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders.

The capital structure of the Group consists of equity attributable to the equity holders and bank loans. 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 raise funding through bank borrowing as necessary.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total bank loans and convertible note divided by total equity.

The gearing ratios at 31 December 2021 and 2020 were as follows:

	2021 HK$'000	2020 HK$'000
Bank loans	421,974	134,332
Convertible note	–	198,688
Total	421,974	333,020
Total equity	1,137,864	1,087,980
Gearing ratio	37.1%	30.6%

The Group has fully complied with the loan covenants throughout the reporting period.

(c) Fair value estimation

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

The fair value estimation of investment properties is disclosed in note 17 to the consolidated financial statements.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Revenue recognition

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

Variable consideration comprises the variable amount of the consideration in exchange for transferring the promised goods or services to a customer that is contingent on the occurrence or non-occurrence of a future event. 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 requires judgement. In particular, management assesses the recoverable amount of each individual trade receivables and loan receivables 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 17 to the consolidated financial statements.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Income taxes

Deferred tax assets relating to certain temporary differences and tax losses are recognised to the extent that 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.
- Otherwise, the Group considers other factors including but not limited to the costs and business disruption required to replace the leased asset.

6 REVENUES AND SEGMENT INFORMATION

(a) Revenues

	2021 HK$'000	2020 HK$'000
Revenues from contracts with customers within the scope of HKFRS 15		
Agency fee	498,568	318,058
Revenues from other sources		
Rental income	21,157	17,156
Interest income from credit business	19,706	5,784
Interest income from securities investment	1,888	1,679
	42,751	24,619
Total revenues	541,319	342,677

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information

The chief operating decision-makers have been identified as the executive directors of the Company (the "Executive Directors"). The Executive Directors review the Group's internal reports in order to assess performance and allocate resources. The Executive Directors determine the operating segments based on these reports.

The Executive Directors assess the performance based on the nature of the Group's businesses principally located in Hong Kong, which comprises property agency businesses for commercial and industrial properties and shops, properties investment, credit business and securities investment.

	Year ended 31 December 2021						
	Property agency						
	Commercial properties HK$'000	Industrial properties HK$'000	Shops HK$'000	Properties investment HK$'000	Credit business HK$'000	Securities investment HK$'000	Total HK$'000
Segment revenues	162,860	152,729	204,636	21,157	19,706	1,888	562,976
Inter-segment revenues	(6,141)	(7,456)	(8,060)	–	–	–	(21,657)
Revenues from external customers	156,719	145,273	196,576	21,157	19,706	1,888	541,319
Timing of revenue recognition							
– At a point in time	156,719	145,273	196,576	–	–	–	498,568
Rental income	–	–	–	21,157	–	–	21,157
Interest income	–	–	–	–	19,706	1,888	21,594
	156,719	145,273	196,576	21,157	19,706	1,888	541,319
Segment results	27,904	14,575	39,014	11,140	13,475	1,782	107,890
Fair value loss on investment properties	–	–	–	(2,691)	–	–	(2,691)
Amortisation of right-of-use assets	(10,274)	(6,650)	(9,423)	–	–	–	(26,347)
Depreciation of property and equipment	(112)	(608)	(767)	(65)	(6)	–	(1,558)
Net reversal of impairment/ (impairment losses) on financial assets	220	(3,572)	(3,969)	–	–	–	(7,321)
Additions to non-current assets	115	1,746	201	191,737	3	–	193,802

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

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

	Year ended 31 December 2020						
	Property agency						
	Commercial properties HK$'000	Industrial properties HK$'000	Shops HK$'000	Properties investment HK$'000	Credit business HK$'000	Securities investment HK$'000	Total HK$'000
Segment revenues	126,366	74,907	130,570	17,156	5,784	1,679	356,462
Inter-segment revenues	(5,392)	(4,060)	(4,333)	–	–	–	(13,785)
Revenues from external customers	120,974	70,847	126,237	17,156	5,784	1,679	342,677
Timing of revenue recognition							
– At a point in time	120,974	70,847	126,237	–	–	–	318,058
Rental income	–	–	–	17,156	–	–	17,156
Interest income	–	–	–	–	5,784	1,679	7,463
	120,974	70,847	126,237	17,156	5,784	1,679	342,677
Segment results	(4,026)	8,172	5,410	(14,696)	2,289	1,564	(1,287)
Fair value loss on investment properties	–	–	–	(25,100)	–	–	(25,100)
Amortisation of right-of-use assets	(13,623)	(6,734)	(10,960)	–	–	–	(31,317)
Depreciation of property and equipment	(106)	(295)	(1,813)	(60)	(1)	–	(2,275)
Net impairment losses on financial assets	(1,801)	(895)	(12,078)	–	–	–	(14,774)
Additions to non-current assets	14	507	66	30	1	–	618

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Fair value gain/(loss) on convertible note, government subsidy, corporate expenses, bank interest income, interest on bank loans, interest on convertible note and taxation are not included in the segment results.

Revenues between segments arose from transactions which are carried out on terms with reference to market practice. Revenues from external customers reported to the Executive Directors are measured in a manner consistent with that in the consolidated statement of comprehensive income. The revenue from external customers is the same as the total revenue per consolidated statement of comprehensive income.

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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

	2021 HK$'000	2020 HK$'000
Segment results for reportable segments	107,890	(1,287)
Fair value gain/(loss) on convertible note	517	(1,290)
Government subsidy	–	27,515
Corporate expenses	(41,091)	(29,327)
Bank interest income	249	6,049
Interest on bank loans	(3,129)	(3,168)
Interest on convertible note	(1,829)	(8,041)
Profit/(loss) before taxation per consolidated statement of comprehensive income	62,607	(9,549)

Segment assets and liabilities exclude corporate assets and liabilities and deferred taxation, all of which are managed on a central basis. Set out below is an analysis of assets and liabilities by reportable segment:

	As at 31 December 2021						
	Property agency						
	Commercial properties HK$'000	Industrial properties HK$'000	Shops HK$'000	Properties investment HK$'000	Credit business HK$'000	Securities investment HK$'000	Total HK$'000
Segment assets	37,334	73,504	52,708	1,007,091	317,874	6,373	1,494,884
Segment liabilities	38,309	80,696	60,329	19,855	3,824	259	203,272

	As at 31 December 2020						
	Property agency						
	Commercial properties HK$'000	Industrial properties HK$'000	Shops HK$'000	Properties investment HK$'000	Credit business HK$'000	Securities investment HK$'000	Total HK$'000
Segment assets	56,748	29,499	44,139	817,100	121,654	45,326	1,114,466
Segment liabilities	70,053	36,527	39,300	18,223	1,362	174	165,639

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Reportable segment assets are reconciled to total assets as follows:

	2021 HK$'000	2020 HK$'000
Segment assets	1,494,884	1,114,466
Corporate assets	292,040	482,565
Deferred tax assets	6,349	10,755
Total assets per consolidated balance sheet	1,793,273	1,607,786

Reportable segment liabilities are reconciled to total liabilities as follows:

	2021 HK$'000	2020 HK$'000
Segment liabilities	203,272	165,639
Corporate liabilities	445,692	349,636
Deferred tax liabilities	6,445	4,531
Total liabilities per consolidated balance sheet	655,409	519,806

7 OTHER (LOSS)/INCOME, NET

	2021 HK$'000	2020 HK$'000
Fair value loss on investment properties (note 17)	(2,691)	(25,100)
Fair value gain/(loss) on convertible note (note 26)	517	(1,290)
Gain on disposal of other financial assets at amortised cost	183	–
Government subsidy	–	27,515
Others	194	58
	(1,797)	1,183

For the year ended 31 December 2020, subsidy received under the Employment Support Scheme of HK$27,515,000 was included in the government subsidy. There were no unfulfilled conditions or other contingencies attaching to these grants.

8 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2021 HK$'000	2020 HK$'000
Salaries and allowances	115,703	101,228
Commissions	185,372	86,731
Pension costs for defined contribution plans	6,778	6,339
	307,853	194,298

The Group participates in a mandatory provident fund ("MPF") scheme which is available to eligible employees of the Group, including 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 statement of comprehensive income represents contributions paid and payable by the Group to the fund.

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

9 BENEFIT AND INTEREST OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Benefit and interest of directors

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

	Fees HK$'000	Salaries and allowances HK$'000	Termination benefits HK$'000	Performance incentive* HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Directors						
Mr. WONG Kin Yip, Freddie (Chairman)	100	3,840	–	–	–	3,940
Ms. WONG Ching Yi, Angela	55	845	–	1,577	8	2,485
Mr. WONG Alexander Yiu Ming (appointed with effect from 25 August 2021)	35	344	–	262	8	649
Mr. LO Chin Ho, Tony (appointed with effect from 1 July 2021)	–	720	–	905	9	1,634
Mr. WONG Hon Shing, Daniel (resigned with effect from 1 July 2021)	–	853	870	1,646	9	3,378
	190	6,602	870	4,390	34	12,086
Independent Non-executive Directors						
Mr. SHA Pau, Eric	120	–	–	–	–	120
Mr. HO Kwan Tat, Ted	120	–	–	–	–	120
Mr. WONG Chung Kwong (appointed with effect from 1 July 2021)	60	–	–	–	–	60
Mr. YING Wing Cheung, William (resigned with effect from 6 May 2021)	41	–	–	–	–	41
	341	–	–	–	–	341
	531	6,602	870	4,390	34	12,427

9 BENEFIT AND INTEREST OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Benefit and interest of directors (Continued)

Mr. WONG Alexander Yiu Ming has been the Associate Director of a subsidiary of the Company prior to his appointment as the Executive Director of the Company. His total remuneration for the year ended 31 December 2021 was HK$1,221,000.

Mr. LO Chin Ho, Tony has been the director of the shops division of the property agency business of the Group prior to his appointment as the Executive Director of the Company. His total remuneration for the year ended 31 December 2021 was HK$2,595,000.

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

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Directors				
Mr. WONG Kin Yip, Freddie (Chairman)	100	3,456	–	3,556
Ms. WONG Ching Yi, Angela	30	–	1	31
Mr. WONG Hon Shing, Daniel (Chief Executive Officer)	–	1,425	18	1,443
	130	4,881	19	5,030
Non-executive Directors				
Mr. TSANG Link Carl, Brian (resigned with effect from 31 July 2020)	70	–	–	70
Mr. WONG Wai Cheong (ceased to be an alternative director to Mr. TSANG Link Carl, Brian with effect from 31 July 2020)	–	–	–	–
	70	–	–	70
Independent Non-executive Directors				
Mr. YING Wing Cheung, William	120	–	–	120
Mr. SHA Pau, Eric	120	–	–	120
Mr. HO Kwan Tat, Ted	120	–	–	120
	360	–	–	360
	560	4,881	19	5,460

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

For the year ended 31 December 2021, none of the directors waived or agreed to waive any emoluments.

For the year ended 31 December 2020, Mr. WONG Kin Yip, Freddie and Mr. WONG Hon Shing, Daniel waived emoluments of HK$384,000 and HK$15,000 respectively.

9 BENEFIT AND INTEREST OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Benefit and interest of directors (Continued)

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

(i) Directors' retirement benefits and termination benefits

Apart from disclosed above, no other directors received or will receive any retirement benefits or termination benefits during the year (2020: nil).

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

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

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

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

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

Saved as disclosed in notes 26 and 34, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest for the year include five (2020: two) directors whose emoluments are reflected in the analysis shown in note 9(a). The emoluments payable to the remaining three individuals for the year ended 31 December 2020 are as follows:

	2021 HK$'000	2020 HK$'000
Salaries and allowances	–	2,058
Performance related incentive/discretionary bonuses	–	152
Retirement benefit costs	–	54
	–	2,264

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
HK$0 – HK$1,000,000	–	2
HK$1,000,001 – HK$1,500,000	–	1
	–	3

10 OTHER OPERATING COSTS

	2021 HK$'000	2020 HK$'000
Office and branch operating expenses (remark)	15,367	12,322
Government rent and rates, building management fee (leased properties and investment properties)	5,900	6,269
Legal and professional fee	14,072	5,613
Trademark licensing fee (note 34(a))	2,129	244
Insurance expenses	3,639	3,823
Bank charges	940	538
Auditor's remuneration		
– audit services	1,467	1,257
– interim results review	343	343
Others	2,492	3,990
Other operating costs	46,349	34,399

For the year ended 31 December 2021, direct operating expenses arising from investment properties that generated rental income were HK$4,472,000 (2020: HK$3,537,000), in which HK$2,058,000 (2020: HK$1,068,000) were included in other operating costs.

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

11 FINANCE INCOME AND COSTS

	2021 HK$'000	2020 HK$'000
Finance income		
Bank interest income	249	6,049
Finance costs		
Interest on bank loans	(3,129)	(3,168)
Interest on convertible note (note 26)	(1,829)	(8,041)
Interest on lease liabilities	(476)	(763)
	(5,434)	(11,972)
Finance costs, net	(5,185)	(5,923)

12 TAXATION

	2021 HK$'000	2020 HK$'000
Current		
Hong Kong profits tax	6,403	1,307
Deferred tax (note 19)	6,320	(2,825)
	12,723	(1,518)

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong profits tax for this subsidiary was calculated on the same basis in 2020.

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

	2021 HK$'000	2020 HK$'000
Profit/(loss) before taxation	62,607	(9,549)
Calculated at a taxation rate of 16.5% (2020: 16.5%)	10,330	(1,575)
Income not subject to taxation	(258)	(5,670)
Expenses not deductible for taxation purposes	2,624	5,681
Others	27	46
Taxation	12,723	(1,518)

13 DIVIDEND

The board of directors (the "Board") does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: nil).

14 EARNINGS/(LOSS) PER SHARE

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

	2021 HK$'000	2020 HK$'000
Profit/(loss) attributable to equity holders	49,839	(7,275)
Effect on conversion of convertible note	1,312	–
Profit/(loss) for calculation of diluted earnings/(loss) per share	51,151	(7,275)
Weighted average number of shares for calculation of basic earnings/(loss) per share (thousands)	1,805,283	1,805,283
Effect on conversion of convertible note (thousands)	96,486	–
Weighted average number of shares for calculation of diluted earnings/(loss) per share (thousands)	1,901,769	1,805,283
Basic earnings/(loss) per share (HK cents)	2.761	(0.403)
Diluted earnings/(loss) per share (HK cents)	2.690	(0.403)

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

In calculating the diluted earnings/(loss) per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential shares from the convertible note. The convertible note is assumed to have been converted into ordinary shares and the result is adjusted to eliminate the related expenses.

For the year ended 31 December 2020, no adjustment has been made to the loss attributable to equity holders and the weighted average number of shares as the exercise of convertible note would have an anti-dilutive effect.

15 PROPERTY AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
At 1 January 2021					
Cost	13,289	3,452	23,822	–	40,563
Accumulated depreciation	(12,816)	(2,978)	(22,199)	–	(37,993)
Net book amount	473	474	1,623	–	2,570
Year ended 31 December 2021					
Opening net book amount	473	474	1,623	–	2,570
Additions	1,366	223	698	507	2,794
Depreciation charge	(502)	(247)	(947)	(42)	(1,738)
Closing net book amount	1,337	450	1,374	465	3,626
At 31 December 2021					
Cost	14,655	3,675	24,520	507	43,357
Accumulated depreciation	(13,318)	(3,225)	(23,146)	(42)	(39,731)
Net book amount	1,337	450	1,374	465	3,626
At 1 January 2020					
Cost	12,711	3,370	23,602	–	39,683
Accumulated depreciation	(11,457)	(2,737)	(21,186)	–	(35,380)
Net book amount	1,254	633	2,416	–	4,303
Year ended 31 December 2020					
Opening net book amount	1,254	633	2,416	–	4,303
Additions	578	82	220	–	880
Depreciation charge	(1,359)	(241)	(1,013)	–	(2,613)
Closing net book amount	473	474	1,623	–	2,570
At 31 December 2020					
Cost	13,289	3,452	23,822	–	40,563
Accumulated depreciation	(12,816)	(2,978)	(22,199)	–	(37,993)
Net book amount	473	474	1,623	–	2,570

16 LEASES

This note provides information for leases where the Group is a leasee.

(i) Amounts recognised in the consolidated balance sheet

	2021 HK$'000	2020 HK$'000
Right-of-use assets		
Properties leased for own use	26,361	20,168
Lease liabilities		
Current	20,736	18,236
Non-current	11,213	4,456
	31,949	22,692

Additions to the right-of-use assets during the year ended 31 December 2021 were HK$32,540,000 (2020: HK$20,023,000).

(ii) Amounts recognised in the consolidated statement of comprehensive income

	2021 HK$'000	2020 HK$'000
Amortisation of right-of-use assets		
Properties leased for own use	(26,347)	(31,317)
Interest expense	(476)	(763)

The total cash outflow for leases during the year ended 31 December 2021 was HK$23,759,000 (2020: HK$34,759,000).

17 INVESTMENT PROPERTIES

	2021 HK$'000	2020 HK$'000
Opening net book amount	813,600	838,700
Additions	128,491	–
Addition of investment property through the acquisition of a subsidiary (note 29)	34,800	–
Change in fair value recognised in the consolidated statement of comprehensive income (note 7)	(2,691)	(25,100)
Closing net book amount	974,200	813,600

Investment properties of HK$853,200,000 (2020: HK$279,900,000) are pledged as security for the Group's bank loans (note 25).

Change in fair value of investment properties is included in "other (loss)/income, net" in the consolidated statement of comprehensive income (note 7).

Valuation

As at 31 December 2021, valuations were undertaken by Jones Lang LaSalle Limited, an independent qualified professional valuer. The valuer has appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. Fair values of investment properties are generally derived using the income capitalisation method and direct comparison method, wherever appropriate. Income capitalisation 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. The prevailing market rents adopted in the valuation have reference to valuers' view of recent lettings, within the subject properties and other comparable properties. Direct comparison method is based on sales prices of comparable properties in close proximity which are adjusted for differences in key attributes such as size, floor level, layout, view, frontage and accessibility etc.

As at 31 December 2021 and 2020, all investment properties are included in level 3 in the fair value hierarchy.

The Group's policy is to recognise transfers between fair value measurements as of the date of the event or change in circumstances that caused the transfer. There were no changes to the valuation techniques and transfers among the fair value hierarchy during the year.

17 INVESTMENT PROPERTIES (Continued)

Valuation (Continued)

Information about fair value measurements using significant unobservable inputs:

Office, industrial units and serviced apartments:

Valuation method	Range of significant unobservable inputs Prevailing market rent per month	Unit price	Capitalisation rate
Income capitalisation	HK$29.1 to HK$41.3 per square foot (saleable) (2020: HK$29.1 to HK$38.6 per square foot (saleable))	N/A	2.90% to 3.30% (2020: 2.60% to 3.30%)
Direct comparison	N/A	HK$4,410 to HK$42,200 per square foot (saleable) (2020: HK$4,330 to HK$42,200 per square foot (saleable))	N/A

Shops:

Valuation method	Range of significant unobservable inputs Prevailing market rent per month	Capitalisation rate
Income capitalisation	HK$35.5 to HK$230.8 per square foot (saleable) (2020: HK$74.0 per square foot (saleable))	1.85% to 3.25% (2020: 2.96%)

Direct comparison method is used for the car parks' valuation, the range of the unit price (significant unobservable input) as at 31 December 2021 are from HK$1,600,000 to HK$2,000,000 (2020: HK$1,600,000 to HK$2,000,000).

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.

18 OTHER FINANCIAL ASSETS AT AMORTISED COST

	2021 HK$'000	2020 HK$'000
At cost		
Current	2,337	17,235
Non-current	4,036	27,796
	6,373	45,031

All the other financial assets at amortised cost are corporate bonds which are denominated in US dollars. As HK dollars is pegged with US dollars, the foreign currency risk exposure in respect of US dollars is considered minimal. There is also no exposure to price risk as the investments will be held to maturity.

As at 31 December 2021, the fair value of the corporate bonds are HK$6,625,000 (2020: HK$45,703,000). The fair value of the corporate bonds was determined by reference to published price quotations in an active market (classified as level 1 in the fair value hierarchy).

19 DEFERRED TAX

	2021 HK$'000	2020 HK$'000
Deferred tax assets	6,349	10,755
Deferred tax liabilities	(6,445)	(4,531)
	(96)	6,224

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

	2021 HK$'000	2020 HK$'000
At 1 January	6,224	3,399
Recognised in the consolidated statement of comprehensive income (note 12)	(6,320)	2,825
At 31 December	(96)	6,224

19 DEFERRED TAX (Continued)

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

	Tax losses		Decelerated tax depreciation		Provision		Total	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
At 1 January	9,356	5,134	817	571	1,642	2,018	11,815	7,723
Recognised in the consolidated statement of comprehensive income	(5,078)	4,222	(6)	246	199	(376)	(4,885)	4,092
At 31 December	4,278	9,356	811	817	1,841	1,642	6,930	11,815

Deferred tax liabilities

	Accelerated tax depreciation	
	2021 HK$'000	2020 HK$'000
At 1 January	(5,591)	(4,324)
Recognised in the consolidated statement of comprehensive income	(1,435)	(1,267)
At 31 December	(7,026)	(5,591)

Deferred tax assets are recognised for tax losses carried 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$5,590,000 (2020: HK$5,590,000) in respect of losses amounting to HK$33,879,000 (2020: HK$33,879,000) as at 31 December 2021. These tax losses can be carried forward indefinitely.

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

	2021 HK$'000	2020 HK$'000
Deferred tax assets		
– Recoverable after more than twelve months	6,349	10,755
Deferred tax liabilities		
– Payable or settle after more than twelve months	(6,445)	(4,531)

20 TRADE AND OTHER RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	159,881	126,620
Less: loss allowance	(36,209)	(35,762)
Trade receivables, net	123,672	90,858
Other receivables, prepayments and deposits	47,000	25,759
	170,672	116,617
Categorised as		
Current portion	142,271	116,617
Non-current portion	28,401	–
	170,672	116,617

As at 31 December 2021, the non-current portion of HK$28,401,000 represents deposits made for a property acquisition and a company acquisition (2020: nil).

Trade receivables mainly represent agency fee receivables from customers whereby no general credit terms are granted. The customers are obliged to settle the amounts due upon the completion of or pursuant to the terms and conditions of the relevant agreements. The aging analysis of the trade receivables is as follows:

	2021 HK$'000	2020 HK$'000
Current (not yet due)	112,516	76,670
Less than 30 days past due	5,617	10,182
31 to 60 days past due	1,354	2,601
61 to 90 days past due	1,825	762
More than 90 days past due	2,360	643
	123,672	90,858

Trade receivables of HK$11,156,000 (2020: HK$14,188,000) are past due but not impaired.

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

The other classes 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 denominated in HK dollars.

21 LOAN RECEIVABLES

A maturity profile of the loan receivables as at the end of the reporting periods, based on the maturity date and net of provision, is as follows:

	2021 **HK$'000**	2020 HK$'000
Within 1 year	307,721	114,340
After 1 year but within 2 years	10,000	–
	317,721	114,340

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

The Group's loan receivables are denominated in HK dollars. Loan receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

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

22 CASH AND CASH EQUIVALENTS

	2021 **HK$'000**	2020 HK$'000
Cash at banks and on hand	213,110	128,475
Short term bank deposits	72,715	349,844
	285,825	478,319

23 SHARE CAPITAL AND PREMIUM

(a) Share capital and premium

	Number of issued shares (HK$0.10 each)	Nominal value HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2020, 31 December 2020 and 31 December 2021	1,805,282,608	180,528	745,086	925,614

The total authorised number of ordinary shares is 5 billion shares (2020: 5 billion shares) with a nominal value of HK$0.10 per share. All issued shares are fully paid.

(b) Share options

The Company has adopted a share option scheme on 18 June 2020 (the "2020 Share Option Scheme"). No share options of the Company were granted, exercised, cancelled or lapsed since the adoption of the 2020 Share Option Scheme up to 31 December 2021.

24 RESERVES

	Merger reserve HK$'000 (note (a))	Capital reserve HK$'000 (note (b))	Convertible note equity reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2020	(559,073)	14,918	6,402	700,486	162,733
Loss for the year	–	–	–	(7,275)	(7,275)
At 31 December 2020	(559,073)	14,918	6,402	693,211	155,458
At 1 January 2021	(559,073)	14,918	6,402	693,211	155,458
Profit for the year	–	–	–	49,839	49,839
Transfer to retained earnings upon maturity of convertible note	–	–	(6,402)	6,402	–
At 31 December 2021	(559,073)	14,918	–	749,452	205,297

Notes:

(a) Merger reserve represents the difference between the net asset value of subsidiaries acquired and the consideration paid totaling HK$640,000,000 pursuant to the group reorganisation on 6 June 2007.

(b) Capital reserve represents the difference between the nominal value of the ordinary share issued by the Company and the aggregate of the share capital and share premium of subsidiaries acquired through an exchange of shares pursuant to the group reorganisation on 28 February 2001.

25 BANK LOANS

The Group's bank loans are repayable as follows:

	2021 HK$'000	2020 HK$'000
Secured bank loan with repayment on demand clause		
– repayable within 1 year	–	1,312
– repayable after 1 year but within 2 years	–	1,075
– repayable after 2 years but within 5 years	–	945
	–	3,332
Secured bank loans without repayment on demand clause		
– repayable within 1 year	54,246	–
– repayable after 1 year but within 2 years	14,246	–
– repayable after 2 years but within 5 years	353,482	131,000
	421,974	131,000
	421,974	134,332
Categorised as		
Current portion	54,246	3,332
Non-current portion	367,728	131,000
	421,974	134,332

As at 31 December 2020, the bank loan with outstanding balance of HK$3,332,000 contains a repayment on demand clause and is classified as current liabilities. The above amounts due are based on the scheduled repayment dates set out in the loan agreement and ignore the effect of any repayment on demand clause.

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

The bank loans are secured by investment properties of HK$853,200,000 (2020: HK$279,900,000) held by the Group (note 17) and corporate guarantee given by the Company.

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

25 BANK LOANS (Continued)

The Group has the following undrawn borrowing facilities:

	2021 HK$'000	2020 HK$'000
Floating rates		
Expiring within one year	65,000	65,000
Expiring within three years	40,000	–
	105,000	65,000

26 CONVERTIBLE NOTE

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

The convertible note contains two components, equity and liability components. Management adopted binomial model to determine the fair value of the convertible note as a whole on the date of issuance. The management had used the discounted cash flows method to determine the fair value of the liability component at the reporting date.

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

	2021 HK$'000	2020 HK$'000
At the beginning of the year	198,688	189,357
Interest expenses (note 11)	1,829	8,041
Fair value (gain)/loss (note 7)	(517)	1,290
Redemption	(200,000)	–
At the end of the year	–	198,688

26 CONVERTIBLE NOTE (Continued)

Key assumptions for the valuation of liability component as at 31 December 2020 are set as below:

	2020
Discount rate	3.01%
Risk-free interest rate	0.21%

Discount rate applied in determining the fair value of the convertible note was estimated by considering risk discount rate comprising a risk free rate, and credit and liquidity spreads as of each appraisal date. The management estimated the risk-free interest rate based on the sovereign curve of government bonds of Hong Kong with a term commensurate with the period from respective appraisal dates to expected maturity date. The credit and liquidity spreads were estimated by referring to option adjusted spreads of comparable note of the comparable companies within the similar industry and certain academic study.

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

27 TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Commissions and rebate payables	127,321	108,178
Other payables and accruals	59,419	47,334
	186,740	155,512

Trade payables include mainly the commissions and rebate payables to property consultants, co-operative estate agents and property buyers, which are due for payment only upon the receipt of corresponding agency fees from customers. These balances include commissions and rebate payables of HK$19,865,000 (2020: HK$23,739,000) in respect of which the corresponding agency fees have been received, and are due for payment within 30 days after year end, and all the remaining commissions and rebate payables are not yet due.

28 AMOUNTS DUE TO NON-CONTROLLING INTERESTS

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

29 ACQUISITION OF A SUBSIDIARY

On 15 September 2021, the Group completed the acquisition of 100% of the issued shares of Power Kingdom International Limited at a consideration of HK$34,568,000. The principal asset of the company is the entire interest in a property located at Shop No. 8 (366 Des Voeux Road West) on G/F, Chung Ah Building, Nos. 352-358, 358A, 360, 360A & 362-366 Des Voeux Road West, Hong Kong.

This acquisition is considered as an asset acquisition.

The fair values of the assets acquired and the liabilities assumed at the completion date are analysed as follows:

	HK$'000
Investment property (note 17)	34,800
Other payables and accruals	(232)
Total identified net assets acquired	34,568
Satisfied by cash	34,568

30 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit/(loss) to net cash used in operations

	2021 HK$'000	2020 HK$'000
Operating profit/(loss)	67,792	(3,626)
Amortisation of right-of-use assets	26,347	31,317
Depreciation of property and equipment	1,738	2,613
Net impairment losses on financial assets	7,321	14,774
Fair value loss on investment properties (note 7)	2,691	25,100
Fair value (gain)/loss on convertible note (note 7)	(517)	1,290
Gain on disposal of other financial assets at amortised cost (note 7)	(183)	–
Operating profit before working capital changes	105,189	71,468
Change in trade and other receivables	(32,975)	(23,969)
Change in loan receivables	(203,381)	(65,330)
Change in trade and other payables	30,996	12,154
Net cash used in operations	(100,171)	(5,677)

30 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Debt reconciliation

This section sets out the movements in debt for the year.

	Bank loan due within one year HK$'000	Bank loan due after one year HK$'000	Convertible note HK$'000	Amounts due to non-controlling interests HK$'000	Lease liabilities HK$'000	Total HK$'000
Net debt as at 1 January 2020	1,016	134,338	189,357	–	36,665	361,376
Cash flows	(1,022)	–	–	420	(33,996)	(34,598)
Other non-cash movements	1,318	(1,318)	9,331	–	20,023	29,354
Net debt as at 31 December 2020	1,312	133,020	198,688	420	22,692	356,132
Cash flows	52,934	234,708	(200,000)	–	(23,283)	64,359
Other non-cash movements	–	–	1,312	–	32,540	33,852
Net debt as at 31 December 2021	54,246	367,728	–	420	31,949	454,343

31 CONTINGENT LIABILITIES

As at 31 December 2021, the Company executed corporate guarantee amounting to HK$527,650,000 (2020: HK$210,780,000) as the securities for general banking facilities and bank loans granted to certain subsidiaries. As at 31 December 2021, banking facilities of HK$421,974,000 were utilised by these subsidiaries (2020: HK$134,332,000).

The Group has been involved in certain claims/litigations in respect of property agency services, including a number of cases in which third party customers alleged that certain Group's employees, when advising the customers, had made misrepresentations about the properties that the customers intended to acquire. Among which, a trial of a case with a claim of HK$120,600,000 will commence on 16 May 2022. After seeking legal advice, the management is of the opinion that either an adequate provision has been made in the consolidated financial statements to cover any potential liabilities or that no provision is required as based on the current facts and evidence there is no indication that an outflow of economic resources is probable.

32 FUTURE LEASE RENTAL RECEIVABLE

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

	2021 HK$'000	2020 HK$'000
Within one year	11,533	8,012
Between one year and five years	5,091	2,677
	16,624	10,689

33 CAPITAL COMMITMENTS

The Group entered into two acquisition agreements to acquire two shops in Hong Kong during the year but yet to complete as at 31 December 2021. The total consideration of these two transactions was HK$74,700,000. One of the transactions was completed in January 2022 and the other one is expected to be completed in April 2022. The capital expenditure contracted for as at 31 December 2021 but not recognised as liabilities were HK$46,800,000 (2020: nil).

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group had the following significant transactions with related parties during the year and balances with related parties at the balance sheet date:

(a) Transactions with related parties

	Note	**2021 HK$'000**	2020 HK$'000
Agency fee income from related companies	(i)	27,171	21,267
Rental income from related companies	(ii)	3,349	2,666
Rebate incentives to related companies	(iii)	(58,521)	(35,282)
Trademark licensing fee to a related company	(iv)	(2,129)	(244)
Licensing fee to a related party	(v)	(422)	(411)
Management fee expenses to a related party	(vi)	(658)	(670)

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) The Group entered into lease agreements with related companies on terms mutually agreed by both parties.

(iii) Rebate incentives to related companies represent rebate incentives for property agency transactions referred by related companies on terms mutually agreed by both parties.

(iv) Trademark licensing fee to a related company on terms mutually agreed by both parties.

(v) Licensing fee to a related party, which is the joint venture of Midland Holdings Limited ("Midland Holdings"), on terms mutually agreed by both parties. This licensing agreement does not constitute connected transaction or continuing connected transaction under the Listing Rules.

(vi) Management fee expenses to a related party, of which Mr. WONG is the beneficial owner, for the provision of administration services on terms mutually agreed by both parties.

In addition to the above, the Group shared administrative and corporate services on a cost basis with an aggregate amount of HK$16,582,000 with related companies (2020: HK$15,042,000).

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) During the year ended 31 December 2021, the Group entered into a lease with a company, of which Mr. WONG is the beneficial owner, on terms mutually agreed by both parties. At the commencement date of the lease, the Group recognised right-of-use asset of HK$803,000 (2020: HK$870,000).

During the year ended 31 December 2021, lease payments to certain companies, of which Mr. WONG is the beneficial owner, under certain leases were HK$3,876,000 (2020: HK$3,931,000).

(c) The balances with related companies and parties included in trade and other receivables, trade and other payables and lease liabilities are as follows:

	2021 HK$'000	2020 HK$'000
Trade and other receivables		
Amounts due from related companies	23,444	22,265
Trade and other payables		
Amounts due to related companies	(27,859)	(33,586)
Lease liabilities		
Amounts due to other related parties (note (b))	(1,799)	(4,717)

The related companies referred in notes (a) and (c) represent the subsidiaries of Midland Holdings. Mr. WONG is also the director and substantial shareholder of Midland Holdings.

(d) Balances with non-controlling interests at respective end of reporting dates are set out in the consolidated balance sheet and note 28. The balances included an amount due to a director of HK$210,000 (2020: HK$210,000).

(e) Key management compensation

	2021 HK$'000	2020 HK$'000
Fees, salaries, allowances and incentives	12,052	5,011
Retirement benefit costs	34	19
	12,086	5,030

The amount represents emolument paid or payable to the Executive Directors of the Company for the year.

Unless otherwise stated, the significant related party transactions under this note constitute connected transactions or continuing connected transactions under the Listing Rules.

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		640,000	640,000
Current assets			
Amounts due from subsidiaries		789,635	985,933
Other receivables, prepayments and deposits		2,032	1,986
Tax recoverable		12	–
Cash and cash equivalents		1,070	1,199
		792,749	989,118
Total assets		1,432,749	1,629,118
EQUITY AND LIABILITIES			
Equity holders			
Share capital		180,528	180,528
Share premium		745,086	745,086
Reserves	(a)	503,313	503,876
Total equity		1,428,927	1,429,490
LIABILITIES			
Current liabilities			
Other payables and accruals		3,822	874
Tax payable		–	66
Convertible note	26	–	198,688
Total liabilities		3,822	199,628
Total equity and liabilities		1,432,749	1,629,118

The balance sheet of the Company was approved by the Board of Directors on 29 March 2022 and was signed on its behalf.

WONG Ching Yi, Angela	**LO Chin Ho, Tony**
Director	*Director*

35 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note (a) Reserve movement of the Company

	Contributed surplus HK$'000	Convertible note equity reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2020	2,509	6,402	503,490	512,401
Loss for the year	–	–	(8,525)	(8,525)
At 31 December 2020	2,509	6,402	494,965	503,876
At 1 January 2021	2,509	6,402	494,965	503,876
Loss for the year	–	–	(563)	(563)
Transfer to retained earnings upon maturity of convertible note	–	(6,402)	6,402	–
At 31 December 2021	2,509	–	500,804	503,313

Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of a subsidiary acquired through an exchange of shares pursuant to group reorganisation on 28 February 2001.

36 EVENT AFTER THE REPORTING PERIOD

After the outbreak of the Omicron variant of COVID-19 in early 2022, a series of precautionary and control measures have been and continued to be implemented. The Group has paid close attention to the development of the COVID-19 outbreak and kept evaluating its impact on the financial position, cash flows and operating results of the Group. The outbreak is a non-adjusting post-balance sheet event. It is considered that this does not have any material impacts on the carrying value of assets or liabilities at 31 December 2021.

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Company name	Place of incorporation/ establishment	Issued/registered and paid up capital	Principal activities and place of operation	Interest held (%) 2021	Interest held (%) 2020
Bright Eastern Limited	Hong Kong	1 share	Property investment in Hong Kong	100	100
Century Hover Limited	British Virgin Islands	1 share of US$1	Property investment in Hong Kong	90	90
Champion Shine International Limited	Hong Kong	100 shares	Property investment in Hong Kong	90	90
Dragon Magic Investments Limited	Hong Kong	2 shares	Property investment in Hong Kong	90	90
Dynasty Worldwide Limited	Hong Kong	1 share	Property investment in Hong Kong	100	N/A
Gain Capital (H. K.) Limited	Hong Kong	1 share	Securities investment in Hong Kong	100	100
Gainwell Group Limited (note)	British Virgin Islands	1 share of US$1	Investment holding in Hong Kong	100	100
Glorious Success Global Limited	British Virgin Islands	1 share of US$1	Property investment in Hong Kong	90	90
Gold Concord Enterprises Limited	Hong Kong	1 share	Property investment in Hong Kong	100	100
Gold Empire International Limited	Hong Kong	1 share	Property investment in Hong Kong	100	100
Grand Win (H.K.) Limited	Hong Kong	1 share	Property investment in Hong Kong	100	100
Harvest Dynamic Limited	Hong Kong	1 share	Property investment in Hong Kong	100	N/A
Ketanfall Group Limited (note)	British Virgin Islands	14 shares of US$1 each	Investment holding in Hong Kong	100	100

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation/ establishment	Issued/registered and paid up capital	Principal activities and place of operation	Interest held (%) 2021	Interest held (%) 2020
Leader Concord Limited	Hong Kong	2 shares	Provision of management services to the group companies in Hong Kong	100	100
Leading Best Limited (note)	British Virgin Islands	1 share of US$1	Investment holding in Hong Kong	100	100
Legend Credit Limited	Hong Kong	1 share	Money lending business in Hong Kong	100	100
Midland IC&I Surveyors Limited	Hong Kong	1 share	Provision of surveying services in Hong Kong	100	100
Midland IC&I Treasury Services Limited	Hong Kong	1 share	Provision of treasury services to the group companies in Hong Kong	100	100
Midland Realty (Comm. & Ind.) Limited	Hong Kong	500,000 shares	Property agency in Hong Kong	100	100
Midland Realty (Comm. & Ind. II) Limited	Hong Kong	1 share	Property agency in Hong Kong	100	100
Midland Realty (Comm. & Ind. III) Limited	Hong Kong	1 share	Property agency in Hong Kong	100	100
Midland Realty (Comm.) Limited	Hong Kong	500,000 shares	Property agency in Hong Kong	100	100
Midland Realty (Shops) Limited	Hong Kong	500,000 shares	Property agency in Hong Kong	100	100
Midland Realty (Shops II) Limited	Hong Kong	1 share	Property agency in Hong Kong	100	100

37 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation/ establishment	Issued/registered and paid up capital	Principal activities and place of operation	Interest held (%) 2021	Interest held (%) 2020
Most Wealth (Hong Kong) Limited	Hong Kong	3 shares	Property investment in Hong Kong	100	100
Power Kingdom International Limited	Hong Kong	1 share	Property investment in Hong Kong	100	N/A
Powerful Surge Group Limited	British Virgin Islands	100 shares of US$1 each	Investment holding in Hong Kong	90	90
Princeton Residence (HK) Limited	Hong Kong	1 share	Serviced apartment operation in Hong Kong	100	100
Queenswick Development Limited	Hong Kong	1 share	Property investment in Hong Kong	100	N/A
Ruby Hill Ventures Limited (note)	British Virgin Islands	1 share of US$1	Investment holding in Hong Kong	100	100
Shine Treasure Holdings Limited	British Virgin Islands	1 share of US$1	Property investment in Hong Kong	90	90
Sino Hover Limited	British Virgin Islands	1 share of US$1	Property investment in Hong Kong	90	90
Supreme Gold Development Limited	Hong Kong	1 share	Property investment in Hong Kong	100	100
Teamway Group Limited	British Virgin Islands	1 share of US$1	Property investment in Hong Kong	100	100
Well Lucky International Limited	Hong Kong	1 share	Property investment in Hong Kong	100	N/A

Note: The subsidiaries are directly held by the Company.

Location	Lot number	Existing use	Lease term	Group's interest
21/F, Ford Glory Plaza Nos 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon	NKIL2828	Commercial	Medium	100%
Car Park P19 2/F, Ford Glory Plaza, Nos 37-39 Wing Hong Street, Cheung Sha Wan, Kowloon	NKIL2828	Commercial	Medium	100%
Nos 33 and 35 Java Road, North Point, Hong Kong	IL6828 and IL6829	Commercial	Long	100%
5/F, LMK Development Estate, Nos 10/16 Kwai Ting Road, Kwai Chung, New Territories	KCTL139	Commercial	Medium	90%
6/F, LMK Development Estate, Nos 10/16 Kwai Ting Road, Kwai Chung, New Territories	KCTL139	Commercial	Medium	90%
7/F, LMK Development Estate, Nos 10/16 Kwai Ting Road, Kwai Chung, New Territories	KCTL139	Commercial	Medium	90%
8/F, LMK Development Estate, Nos 10/16 Kwai Ting Road, Kwai Chung, New Territories	KCTL139	Commercial	Medium	90%
12/F, LMK Development Estate, Nos 10/16 Kwai Ting Road, Kwai Chung, New Territories	KCTL139	Commercial	Medium	90%
Car Parking Space Nos. 12, 13 and 14, G/F, LMK Development Estate, Nos 10/16 Kwai Ting Road, Kwai Chung, New Territories	KCTL139	Commercial	Medium	90%

Location	Lot number	Existing use	Lease term	Group's interest
Shop 6, G/F, Cambridge Court, Nos 84A-84H & 84J-84M Waterloo Road, Kowloon	KIL7981	Commercial	Medium	100%
7/F, Kaiseng Commercial Centre, Nos 4-6 Hankow Road, Tsim Sha Tsui, Kowloon	NKIL7703 and NKIL8184	Commercial	Medium	100%
8/F, Kaiseng Commercial Centre, Nos 4-6 Hankow Road, Tsim Sha Tsui, Kowloon	NKIL7703 and NKIL8184	Commercial	Medium	100%
G/F and Open Yard and Cockloft thereof No.49 Tai Ho Road, Tsuen Wan, New Territories	The remaining portion of Lot no. 2160 in D.D. 449	Commercial	Medium	100%
Shop C (No.280 Ma Tau Wai Road) on Ground Floor, On Chun Mansion, Nos. 278, 278A, 280 and 280A Ma Tau Wai Road, Kowloon	Section A of KIL2552 Section B of KIL2552	Commercial	Long	100%
Flat D (No.280A Ma Tau Wai Road) on Ground Floor, On Chun Mansion, Nos. 278, 278A, 280 & 280A Ma Tau Wai Road, Kowloon	Section A of KIL2552 Section B of KIL2552	Commercial	Long	100%
Shop 3 on Ground Floor, Bijou Apartments, No. 157 Prince Edward Road West, Kowloon	The Remaining Portion of KIL9274	Commercial	Medium	100%
Shop No.8 (366 Des Voeux Road West) on G/F, Chung Ah Building, Nos. 352-358, 358A, 360, 360A & 362-366 Des Voeux Road West, Hong Kong	Section F of Marine Lot No. 204 Section F of Marine Lot No. 205 The Remaining Portion of Section E of Marine Lot No. 205	Commercial	Long	100%
Ground Floor of No.192 Hai Tan Street, Kowloon	The Remaining Portion of NKIL147	Commercial	Medium	100%

Five-Year Financial Summary

	Year ended 31 December				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
For the year					
Revenues	541,319	342,677	442,126	628,832	637,247
Profit/(loss) before taxation	62,607	(9,549)	(20,444)	60,396	104,862
Profit/(loss) attributable to equity holders of the Company	49,839	(7,275)	(19,504)	48,148	89,918
Cashflows					
Net cash (outflow)/inflow from operating activities	(101,689)	(15,572)	(2,789)	54,324	76,684
At year end					
Total assets	1,793,273	1,607,786	1,610,857	1,661,120	1,540,598
Total liabilities	655,409	519,806	514,846	540,454	475,841
Non-controlling interests	6,953	6,908	7,664	7,761	–
Total equity	1,137,864	1,087,980	1,096,011	1,120,666	1,064,757
Cash and cash equivalents	285,825	478,319	543,759	593,214	750,312
Per share data	HK cents	HK cents	HK cents	HK cents	HK cents
Basic earnings/(loss) per share	2.761	(0.403)	(1.080)	2.667	5.258
Diluted earnings/(loss) per share	2.690	(0.403)	(1.080)	2.497	4.655

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.midlandici.com.hk