奮勵前進 同創新天

FORGE AHEAD, EXPLORE NEW GROUND TOGETHER

鋑聯控股
LEGEND UPSTAR HOLDINGS

Incorporated in the Cayman Islands with limited liability
(Stock Code 股份代號：459)

Annual Report 2022 年報

www.midlandici.com.hk

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Corporate Information

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
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17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

CORPORATE WEBSITE
www.legendupstarholdings.com

STOCK CODE
459

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

The Group pioneered the real estate agency industry to hold multiple press conferences before the reopening of the border to analyze the market condition, share different research results with customers, and provide information relevant to various industrial and commercial shops with professional market data and analysis.

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. The report was designed to provide detailed analyses of that sector to help customers grasp the latest market trend and make the best business decisions.

Strategically expanded branch network

Foreseeing the business opportunities from the market recovery after the reopening of the border, the Group took the lead in expanding its branch network strategically in various districts, including the opening of iCITY, a flagship shop of Midland IC&I in Kwai Chung, the Kowloon Station branch of Midland shop in Harborview Place which is our core district, and three branches in Admiralty Centre, Admiralty, to provide premium services to customers in strategic areas.

Clinched the 54th "Distinguished Salesperson Award"

Talent nurturing has always been one of the Group's core focuses. In 2022, 2 elites of the Group were honored with the "Distinguished Salesperson Award" 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

Legend Upstar Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") announce that for the year ended 31 December 2022, the Group recorded a loss attributable to equity holders of HK$3,689,000 (2021: Profit attributable to equity holders of HK$49,839,000).

During the reporting period, the substantial decline in the Group's financial results was mainly attributable to the adverse market conditions caused by the COVID-related restrictions and measures in Hong Kong, prolonged closure of the border between Hong Kong and Mainland China, interest rate hikes and poor investment sentiment, which led to a significant drop in the transaction value and volume of the non-residential properties in Hong Kong.

Economy Clouded by Multiple Factors, Devastating the Industrial, Office and Shop Market

The non-residential property market in Hong Kong witnessed a sharp decline in transaction activities in 2022. The three major segments of the non-residential property sector, namely, offices, industrial properties, and shops, all posted a significant drop in sales transactions. The weakness of the non-residential property market was impacted by multiple factors such as the poor economic conditions in Hong Kong, the slow pace of reopening of Hong Kong as compared with other cities, especially Singapore, the closing of the border between Hong Kong and Mainland China at that time, and the interest rate hikes by the US Federal Reserve.

Impacted by the lingering pandemic, the gross domestic product (GDP) of Hong Kong fell by 3.5% in 2022. Hong Kong has long been positioned as the bridge between Mainland China and the world, with the finance, tourism, and retail sectors as the pillars of the local economy. However, the closing of the border between Hong Kong and Mainland China during the pandemic hit the local economy hard and the retail sector was the first to bear the brunt. The COVID-related restrictions on the inbound travellers put in place for the year 2022 isolated Hong Kong from the world. Without leisure and business travellers, the tourism industry came to a standstill. Whereas Singapore was ahead of the game, relaxing the entry requirements for travellers in August 2022, which drove the resumption to normalcy for its tourism and economic activities. Business confidence took a deep dive as the fear of Hong Kong losing the competition to Singapore further intensified. Many international conferences, exhibitions, and mega events in 2022 including Oxfam Trailwalker and Standard Chartered Hong Kong Marathon could not be held as scheduled, harming Hong Kong's international image.

Additionally, the interest rate hikes also battered the non-residential property market. Central banks around the world have raised interest rate to curb inflation and maintain monetary stability, and it had a negative impact on the Hong Kong property market. For one thing, it increased the cost of borrowing, weakening the investment appetite for non-residential properties. For another, the soaring interest rate for fixed deposit of large amount drew the attention of the investors away from property investment.

During the reporting period, the contraction in business activities led to a reduction in market demand for office spaces. According to the figures from the Land Registry, the office segment recorded merely 817 sales transactions in 2022, down 38.8% from 1,335 sales transactions in 2021. Furthermore, interest rate hikes suppressed investment demand and led the landlords of industrial buildings to hold off project launches. In 2022, the number of sales transactions of industrial units fell 34.3% from that in 2021 to 2,501 units. The retail sector in Hong Kong was affected by the economic downturn and the sharp decline of inbound travellers. As a result, the shop segment did not fare well either. In 2022, the shop segment recorded only 1,176 sales transactions, representing a decline of 34.2% as compared with that in 2021.

Actively Implemented Diversification and Seized Property Investment Opportunities

The material decline in the number of sales and rental transactions of non-residential properties significantly impacted the Group's overall revenue and earnings. In addition, the residential property market was extremely quiet as well. Due to the sharp drop in the number of transactions in residential properties, the Group's referral commission from residential transactions dropped.

Despite these challenges, the Group was able to attain progress in another two business lines. During the reporting period, Legend Credit Limited, the credit business unit of the Group, posted a growth in revenue and operating profit. Although the poor economic conditions led to the default of some property loans, the prudent loan-to-value ratio adopted by the Group has provided an adequate safety cushion in respect of credit risk. Furthermore, due to the Group's effort in boosting the occupancy rate of its properties, the investment portfolio also made positive contributions. However, the financial results of the Group were dragged down by the revaluation of the investment properties, which led to a loss on revaluation of approximately HK$11.3 million during the reporting period. During the market correction, the Group took advantage of the situation by bottom fishing and bought a property. This helped the Group strengthen its property investment portfolio.

OUTLOOK

Market Turnaround on the Horizon, Market Sentiment Gradually Warmed Up

The non-residential property sector in Hong Kong has recovered gradually, driven by the following key factors, including the reopening of border between Hong Kong and Mainland China, the recovery of the Hong Kong economy, the slowdown in interest rate hikes, the government's launch of initiatives to compete for talents and its efforts to attract international enterprises to Hong Kong. However, the pace of recovery is slower than expected, and the non-residential property market may need some time to come back to the pre-pandemic level.

As Hong Kong relaxed most of the COVID-related restrictions in January 2023, the border between Hong Kong and Mainland China has been reopened, which is likely to stimulate the local tourism and cross-border business activities, thereby reviving the transactions of non-residential properties. This is expected to attract more businesses to establish a presence in Hong Kong or to expand their existing operation. Furthermore, the lifting of the COVID-related restrictions on the inbound travellers will help Hong Kong regain its status as an international city. The number of corporations operating and exhibitions taking place in Hong Kong is expected to continue to grow, which will drive up the demand for office and retail space, providing a boost to the non–residential property sector.

Government Actively Promotes Hong Kong, Talents and Businesses Poised to Return

At the end of 2022, the government launched the "Top Talent Pass Scheme", which aimed at attracting highly skilled professionals from around the world to come to Hong Kong. It is likely to make it easier for the corporate sector to make hiring and plan for expansion, thus driving up the demand for office space. Moreover, some of these professionals may use Hong Kong as the base to start their own business ventures, creating new demand. The relaunch of the "Capital Investment Entrant Scheme" is expected to benefit Hong Kong economy as well. The government has also launched the "Hello Hong Kong" Campaign, distributing 500,000 air tickets and over a million Hong Kong Goodies visitor consumption vouchers as a way to attract travellers from all across the globe, which is likely to revitalise the local tourism and retail sectors.

In the meantime, the government has actively conducted foreign visits to promote Hong Kong's strengths and attract international enterprises to do business in Hong Kong. In January 2023, the Chief Executive, John Lee, led a delegation of 30 notable figures, including senior officials and business leaders, to visit the Middle East, signing 6 agreements with Saudi Arabia to strengthen economic collaboration. During the visit, the government has invited Saudi Arabian oil company Aramco and its subsidiaries to invest and list in Hong Kong. If the listing comes through, it will further bolster Hong Kong's reputation as a major international financial centre.

Threat of Inflation Persists Yet Interest Rate Hikes are Moderating

In 2022, the global economy was plagued by rampant inflation, prompting central banks to raise the interest rate. The rapid acceleration of wage growth has exacerbated the risk of a wage-price spiral. However, there are indications that the inflationary pressures may be easing. The chairman of the US Federal Reserve, Jerome Powell, noted in February 2023 that the disinflationary process has already commenced. Nevertheless, following a series of substantial increases, the inflation rate remained higher than the US Federal Reserve's target. Some of the causes of inflation, such as the Russia-Ukraine conflict, are unlikely to be resolved in the short term. Interest rate hikes by the US Federal Reserve remains a market concern, but the increase is likely to be more moderate than before.

The Group is Well-positioned for Hong Kong's Resumption of Normalcy

Despite the lingering market risks such as interest rate hikes and geopolitical tensions, the Group expects the performance of the non-residential property market to improve in 2023. It will continue to make an all-out effort in strengthening its market position. The landscape of the Hong Kong property market has changed profoundly during the 3-year pandemic. Following the completion of the Tuen Ma Line and the East Rail Line Cross-harbour Extension, the ongoing developments of the West Kowloon Cultural District, the emerging hybrid model of remote working and onsite working, and the popularisation of e-commerce, nowadays clients' demand for non-residential properties have changed. The Group is confident that our staff is well-positioned to take advantage of the ever-changing market conditions, match the demands of its clients and adapt its business strategy accordingly. Meanwhile, the Group will also deeply engage with Midland Holdings, a related company, to generate more referral commissions from the sales of the residential units.

The Group expects the business environments of the credit business and property investment portfolio to turn favourable as well. The Group will keep on seeking to boost the return on the investment portfolio by raising the occupancy rate and rents of its properties. In addition, the Group may make further acquisitions of properties with potential. For the credit business, demand for loans may grow when the Hong Kong economy normalises.

APPRECIATION

I would like to take this opportunity to express our sincere gratitude to our shareholders and clients, and to thank our management and staff for their efforts in weathering the pandemic during the reporting period. We hope every sector in Hong Kong can leave the memories of the pandemic behind and make a fresh start, seizing the opportunities brought about by the economic recovery to create a better future for the Group.

WONG Kin Yip, Freddie
Chairman

Hong Kong, 27 March 2023

EXECUTIVE DIRECTORS

Mr. WONG Kin Yip, Freddie, aged 73, 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 49 years of experience in the real estate agency business in Hong Kong, China and overseas. He is a pioneer in the mortgage brokerage business and introduced mortgage referral services to Hong Kong. Mr. WONG is also the Chairman and Executive Director of Midland Holdings Limited ("Midland") (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 42, 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. Ms. WONG is also an Executive Director of Midland. 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 Hong Kong Metropolitan University.

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 60, has been 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 30 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 32, has been 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 65, 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 37 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 58, 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 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 72, has been 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 66, has been 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 44 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 was a standing member of the 12th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference and is currently 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 as set out in the Corporate Governance Code (the "Code") stated in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2022.

BOARD OF DIRECTORS

(i) Board Responsibilities and Delegation

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

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

All the Directors have full and timely access to all relevant information and have access to the advice and services of the Company Secretary of the Company, with a view to ensuring that all proper Board procedures, applicable rules and regulations are followed.

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

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

(ii) Board Composition

The Board currently comprises 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 "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 2022, the Board held six meetings to discuss and approve, inter alia, the interim and annual results and other significant issues of the Group. At least 14 days' notice of regular Board meetings is given to the Directors who are given the opportunity to include other matters in the agenda of meetings. Individual attendance records of each of the Directors at the respective meetings of the Board and Board committees and general meeting are set out on page 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 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.

Throughout the year ended 31 December 2022 and up to the date of this Annual Report, the Board has at all times met the requirements under Rule 3.10 of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise and the requirements under Rule 3.10A of the Listing Rules relating to the appointment of the independent non-executive directors representing at least one-third of the board. The Board has received from each Independent Non-Executive Director an annual written confirmation of his independence in accordance with Rule 3.13 of the Listing Rules and considered that all the Independent Non-Executive Directors are independent.

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

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

BOARD OF DIRECTORS (Continued)

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

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 has served more than nine years, his further appointment should be subject to a separate resolution to be approved by the shareholders of the Company. All Directors appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting and shall not be taken into account in determining which particular Directors 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, reading materials covering corporate governance and regulatory development were provided to the Directors. A summary of the record of training received by the Directors during the year is as follows:

	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	✔
Mr. LI Wai Keung	✔

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 as well as those relating to the environmental, social and governance of the Group. 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 2022, the Company had in place arrangement for stakeholders of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters and the whistleblowing policy.

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 recommending the remuneration packages of individual Executive Directors and senior management of the Company and recommending the remuneration of the Non-Executive Directors (including Independent Non-Executive Directors) to the Board for approval, and reviewing the remuneration policy for Directors from time to time. 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, making recommendations on the grant of share options to certain Executive Directors, and making recommendations on the remuneration of one candidate who was proposed to be appointed as Independent Non-Executive Director of the Company to the Board for approval. During the year, two Remuneration Committee meetings were held.

The Company recognises the importance of a formal and transparent policy on determining the remuneration packages of Directors and other remuneration related matters, and adopted a remuneration policy which aims to ensure that remuneration packages of Directors are appropriate and sufficient to attract and retain high caliber Directors to run the Company successfully and that it aligns with the strategic business goals of the Company. To ensure that the Directors are appropriately remunerated, salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group would be considered. No Director or any of their associates was involved in deciding that Director's own remuneration.

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

Remuneration bands	Number of person(s)
HK$1,000,001 – HK$1,500,000	1
HK$3,000,001 – HK$3,500,000	1
HK$3,500,001 – HK$4,000,000	1
HK$5,000,001 – HK$5,500,000	1

Details of Directors' emoluments and other remuneration related matters and five highest paid individuals during the year are set out in note 9 to the consolidated financial statements on pages 96 to 98 of this Annual Report.

BOARD COMMITTEES (Continued)

(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.

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 individual suitably qualified to become Director of the Company by assessing the candidate's experience and standing, duties and responsibilities and expected contribution to the Group and making recommendation on the changes of composition of the Board and the Board committees, reviewing the implementation and effectiveness of the board diversity policy and making recommendation to the Board for approval on the renewal of terms of appointment of Directors. During the year, one Nomination Committee meeting was 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 and revised in December 2022. A diverse Board will include differences in the talents, skills, knowledge, regional, industry and professional experience, cultural and educational background, race, age, gender and other qualities of the members of the Board. Selection of candidates is based on a range of diversity perspectives and the Company's nomination policy. The ultimate decision is based on merit and contribution which would be brought by the candidates to the Board if he/she were selected as a Director. The Company maintained, and is committed to maintaining, a gender diversity with at least one female representative at Board level. The Nomination Committee is of the view that the current composition of the Board has achieved the objectives set in the board diversity policy. The Board is satisfied with the review on the implementation and effectiveness of the board diversity policy.

Details on the gender ratio in the workforce (including senior management) of the Group, together with relevant data, are set out in the section "Environmental, Social and Governance Report" on page 36 of this Annual Report. The Company will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness.

BOARD COMMITTEES (Continued)

(v) Risk Committee

The Risk Committee was established on 1 January 2016 with written terms of reference published on the website of the Company. The Risk Committee is chaired by 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 2022. During the year, the Risk Committee received report on the results of the review of the risk management system and framework, discussed the measures to manage those identified risks which may have significant impact to the Group, and reviewed the effectiveness of the risk management system and framework.

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

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

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

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

Notes:

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

2. Mr. LI Wai Keung has been appointed as an Independent Non-Executive Director and 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 2022.

DIRECTORS' INTERESTS

Details of Directors' interests in the shares, underlying shares and debentures of the Company and its associated corporations are set out in the "Report of the Directors" on pages 45 to 46 of this Annual Report.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibility for preparation of consolidated financial statements which give a true and fair view of the Group's state of affairs as at 31 December 2022 and of the Group's results and cash flows for the year ended 31 December 2022. In preparing the consolidated financial statements for the year ended 31 December 2022, the Directors selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The reporting responsibilities of the independent auditor of the Company on the 2022 consolidated financial statements of the Group are set out in the "Independent Auditor's Report" on pages 57 to 63 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 2022 amounted to approximately HK$1,467,000 (2021: HK$1,467,000) and HK$996,000 (2021: HK$589,000) 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 2022 was conducted, and report on the results of the review and opinion were submitted to the Audit Committee and the Risk Committee. The Audit Committee and the Risk Committee reviewed the reports and followed up on the implementation of the action plan, and reported to the Board.

Based on the reports from the Audit Committee and the Risk Committee, the Board is satisfied with the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2022 as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting function, as well as those relating to the Group's ESG performance and reporting.

INSIDE INFORMATION

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

COMPANY SECRETARY

The Company engages an external service provider to provide company secretarial services and has appointed Ms. MUI Ngar May, Joel ("Ms. MUI") as its Company Secretary. Ms. MUI is not an employee of the Group and Mr. SZE Ka Ming, the Chief Financial Officer of the Company, is the person whom Ms. MUI can contact for the purpose of code provision C.6.1 of the Code. Ms. MUI undertook over 15 hours of professional training during the year.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

Pursuant to the Listing Rules, voting by poll is mandatory on all resolutions (except resolutions relate purely to procedural or administrative matters) put forward at general meetings and the poll results will be posted on the websites of the Stock Exchange and the Company. The Company would ensure that shareholders will be given sufficient notice, at least 21 clear days' notice in the case of annual general meeting and any extraordinary general meeting at which the passing of a special resolution is to be considered and at least 14 clear days' notice in the case of all other extraordinary general meetings in accordance with the articles of association of the Company.

The 2022 annual general meeting of the Company was held on 22 June 2022. At the meeting, separate resolution was proposed by the chairman of the meeting in respect of each separate issue, including the re-election of individual retiring Directors, and voted by way of poll. The Company announced the results of the poll in the manner prescribed under the Listing Rules. The Chairman of the Board and other Board members as well as the representative of PricewaterhouseCoopers attended the 2022 annual general meeting and had effective communication with shareholders of the Company.

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

During the year, there were no changes to the memorandum 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 21 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 enquiries 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 to the Company written enquiries and their views on various matters affecting the Company for the attention of the Company Secretary or 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 at investor@midlandici.com.hk.

Sparing no effort in promoting environmental protection

The Group has spared no effort in environmental protection. We strived to promote various waste reduction and energy saving initiatives in our offices and have been awarded the Wastewi$e Certificate - Good Level and the Energywi$e Certificate - Good Level issued by the Environmental Campaign Committee, and the "ISO 14064-1:2018" Greenhouse Gases Inventory Certificate issued by the International Organization for Standardization in recognition of the Group's contribution to environmental protection.

Earning 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 and strived 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 10th consecutive year and was awarded as the "Happy Company" under the Happiness-At-Work Label Scheme of Promoting Happiness Index Foundation and Hong Kong Productivity Council for the 6th consecutive year and received the Happy Company Logo.

Honoured as a "Caring Company" for 16 consecutive years

The Group has zealously participated in various public welfare activities and actively contributed to the community. For 16 consecutive years, the Group has been awarded the "Caring Company" logo by the Hong Kong Council of Social Service in recognition of its outstanding achievements in caring for the community.

Providing food packs for low-income families

The Group cares for all sectors of society. Since many grassroots citizens have lost their jobs as a result of the pandemic, resulting in the financial conditions of their families being severely affected, the Group has collaborated with St. James' Settlement to provide over 100 food packs to low-income families to help them meet their immediate needs.

Encouraging healthy lifestyle by participating in "Smoke-free Hiking"

Committed to supporting various volunteer services and charitable causes, the Group participated in the "Smoke-free Hiking in Autumn" organized by The Lok Sin Tong Benevolent Society, Kowloon. Through hiking, the Group helped clean up cigarette butts in the community, raised awareness of the harm of third-hand smoke, and encouraged more people to develop a smoke-free and healthy lifestyle, contributing to environmental protection.

ABOUT THIS REPORT

Reporting Standards

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

Reporting Principles

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

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

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

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

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

Reporting Scope and Boundary

Unless otherwise specified, this report covers the period from 1 January 2022 to 31 December 2022. It encapsulates the ESG performance and initiatives of our 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.

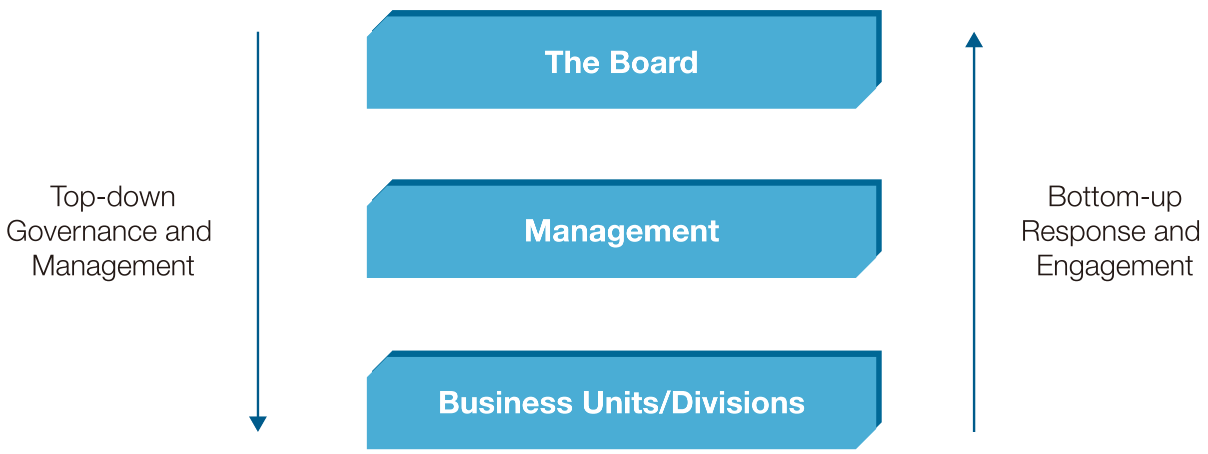
The Board regularly evaluates and determines our ESG related risks and ensures that appropriate and effective ESG risk management and internal control systems are in place. The Board has regular meetings and discussions on the effectiveness of these systems as well as progress made against relevant ESG-related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

Sustainability Governance

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

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

ESG Governance Structure



OUR ESG MANAGEMENT (Continued)

Ethical Business Operation

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

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

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 or otherwise) to seek opinions from our stakeholders.

Step 3 – Validation

Management further reviews the stakeholder engagement 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 is 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, 55 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 regularly, and arranged a Q&A session for employees to interact with the management and further develop potential solutions in tackling the issues raised. Other communication channels are also available for our employees to voice their opinions, including monthly meetings for frontline and back-office staff of different ranks and positions via electronic means or otherwise. We also put in place internal grievance channels which are 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 2022, we did not discover such practices in our operation.

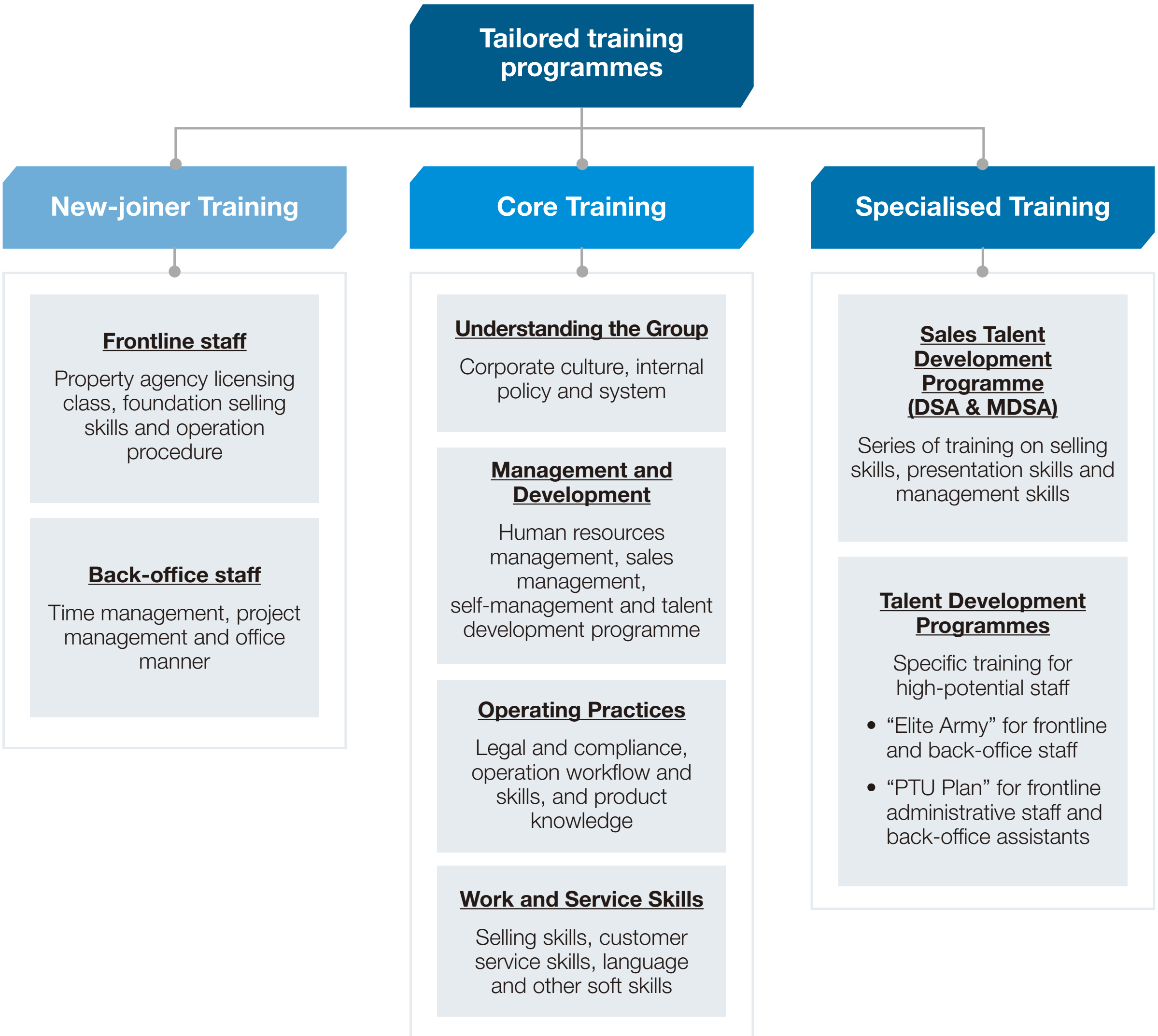
Note:

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 human capital, we make a great effort in nurturing our employees while also offering opportunities for professional and personal advancement. We set up Midland University to deliver specific training for our employees to equip them with the skills and knowledge required in carrying out their daily operations. Based on the job nature and rank of the employees, different training modules are built. For instance, we have tailored training programmes for both frontline and back-office staff respectively.



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

Apart from internal training programmes, we subsidise our staff to join the external training, professional certificates, and examinations. As such, our employees could keep pace with market benchmark and pursue professional development courses of their choice. This helps encourage employees to pursue new expertise and undertake life-long learning.

OUR EMPLOYEES (Continued)

Training and Development (Continued)

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

Occupational Health and Safety

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

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

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 three years ended 31 December 2022, there were no work-related fatality cases.

OUR ENVIRONMENT

Environmental Management

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

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

Climate Change and Energy Conservation

The Group is mindful of the adverse impacts caused by climate change on our business operations, the business community and overall society. The Group recognises our contribution to greenhouse gas emissions and strives to lower our carbon footprint 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.

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.

OUR ENVIRONMENT (Continued)

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 (Good Level) by the Hong Kong Green Organisation Certification this year.

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

Employee Environmental Awareness

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

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

OUR ENVIRONMENT (Continued)

Environmental Performance Data Summary

	Unit	Performance in 2022	Performance in 2021
Energy consumption			
Total electricity consumption	kWh	794,887	858,324
Energy intensity	GJ/employee	4.96	4.68
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	382.41	401.36
GHG emission intensity	tCO_2e/employee	0.66	0.61
Water consumption			
Total water consumption	cubic meter (m^3)	254	166
Water intensity	m^3/employee	0.44	0.25
Waste management[4]			
Fluorescent tube disposed	pieces	191	386
Electrical appliances/components disposed	pieces	10	21
Electrical appliances/components recycled	pieces	35	25
Paper recycled	kg	7,500	8,189

Notes:

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

2 Direct GHG emission (Scope 1) is generated from refrigerant consumption by water dispensers in the office of commercial property business segment. Refrigerant consumption is insignificant in our offices and branches, thus data is not collected for disclosure.

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 134 suppliers during the reporting year. Our main suppliers consist of companies that provide cleaning, insurance, security and transportation services, office equipment and printing products. To further promote local business development and reduce our carbon footprint, we also give priority to local suppliers when possible. In 2022, all our suppliers operate in Hong Kong.

OUR SUPPLY CHAIN (Continued)

Supplier Selection and Monitoring

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

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

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

OUR COMMUNITY

Our Community Investment

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

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$154,000 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 more than 15 consecutive years.

Protecting the Environment

The Group has always attached great importance to environmental protection and cared for the community. Therefore, the Group has joined the "Smoke-free Hiking in Autumn" organised by The Lok Sin Tong Benevolent Society, Kowloon during the year 2022. The event aimed at cleaning up cigarette butts in our community while raising the awareness of the harm of third-hand smoke, and encouraging more people to develop a smoke-free and healthy lifestyle.

OUR COMMUNITY (Continued)

Caring for Low-income Families

The Group is dedicated to giving back to the community. The Group has joined hands with St. James' Settlement to provide more than 100 food packages to low-income families to help them solve their urgent needs during the year 2022. In the event, the volunteers from the Group were responsible for sorting and packing the food including rice, noodles, canned food, etc. In the future, the Group will continue to fulfil its corporate social responsibility and give back to the society with the spirit of caring.

SOCIAL PERFORMANCE DATA TABLE

	Unit	Performance in 2022	Performance in 2021
Employee Profile[1]			
Total workforce[2]	No. of people	577	660
Total workforce by employment type			
Full-time	No. of people	577	659
Part-time	No. of people	–	1
Total workforce by gender[3]			
Male	No. of people	309	354
Female	No. of people	268	305
Total workforce by age group[3]			
18–29	No. of people	16	22
30–50	No. of people	254	304
Above 50	No. of people	307	333
Total workforce by geographic location[3]			
Hong Kong	No. of people	577	659
Employee Turnover			
Total employee turnover rate[4]	%	35% (Frontline: 35%) (Back office: 23%)	19% (Frontline: 19%) (Back office: 29%)
Employee turnover rate by gender[4]			
Male	%	33%	21%
Female	%	37%	17%
Employee turnover rate by age group[4]			
18–29	%	84%	41%
30–50	%	34%	21%
Above 50	%	32%	17%
Employee turnover rate by geographic location[4]			
Hong Kong	%	100%	100%

Notes:

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

2 The total workforce includes senior management of the Company.

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

4 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	Performance in 2022	Performance in 2021
Development and Training			
Total workforce trained[5]	No. of people	711	732
Percentage of employees trained by gender			
Male	%	54%	55%
Female	%	46%	45%
Percentage of employees trained by employee category			
General staff	%	87%	86%
Managers	%	11%	12%
Management	%	2%	2%
Average training hours per employee by gender			
Male	Hours/employee	15.97	13.22
Female	Hours/employee	14.57	12.45
Average training hours per employee by employee category			
General staff	Hours/employee	13.94	12.12
Managers	Hours/employee	23.72	17.92
Management	Hours/employee	29.06	15.63
Occupational Health and Safety			
Lost day due to work injury[6]	No. of days	283	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 (2022).	
Supply Chain Management			
Number of suppliers by geographic location			
Hong Kong China	No. of suppliers	134	125

Notes:

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

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

OUR ESG AWARDS

Awards for Environmental Performance

Organiser	Award and Recognition
Environmental Campaign Committee	Hong Kong Green Organisation
Environmental Campaign Committee	Energywi$e Certificate – Good Level
Environmental Campaign Committee	Wastewi$e Certificate – Good Level
The Environment and Ecology Bureau	Charter on External Lighting – 3 Branches Received the Platinum Award
Estate Agents Authority	Estate Agents Energy Saving Award Scheme – 12 Branches Received the "Energy Saving Shop" Label

Business Related Award

Organiser	Award and Recognition
The Hong Kong Management Association	Distinguished Salesperson Award

Awards for Corporate Social Responsibility

Organiser	Award and Recognition
Promoting Happiness Index Foundation	Happiness at Work Promotional Scheme 2022 – Happy Company
St. James' Settlement	Save & Share Gold Partnership Award 2022
The Hong Kong Council of Social Service	15 Years Plus Caring Company Logo
The Hong Kong General Chamber of Small and Medium Business	2022 Partner Employer Award – Excellent Enterprise Award ("卓越企業嘉許")
The Hong Kong General Chamber of Small and Medium Business	2022 Partner Employer Award – Employment Recognition for Retaining Existing Employees ("保留現有僱員就業嘉許")
The Hong Kong General Chamber of Small and Medium Business	2022 Partner Employer Award – Recognition for Additional Full-time or Part-time Employees ("增聘全職或兼職僱員嘉許")

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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
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The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

Details of the analysis of the Group's performance for the year ended 31 December 2022 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 2022 are set out in the consolidated income statement on page 64 of this Annual Report.

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: 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 54 to 56 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 83 to 88 of this Annual Report. An analysis using financial key performance indicators can be found in the Management Discussion and Analysis on pages 54 to 56 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 23 to 41 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 2022. The Company has adopted its own code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code.

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 36 to the consolidated financial statements respectively.

CHARITABLE DONATIONS

During the year, the Group made charitable donations totalling HK$157,000 (2021: HK$307,000).

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 126 to 127 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 2022, 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$908,961,000 (2021: HK$1,248,399,000). 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 128 of this Annual Report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

BOARD OF DIRECTORS

The Directors who held office during the year ended 31 December 2022 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
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 *(appointed with effect from 29 March 2022)*

Ms. WONG Ching Yi, Angela, Mr. WONG Chung Kwong and Mr. HO Kwan Tat, Ted shall retire by rotation at the forthcoming annual general meeting of the Company (the "AGM") in accordance with Article 87(1) of the articles of association of the Company. Among them, Ms. WONG Ching Yi, Angela and Mr. WONG Chung Kwong, being eligible, shall offer themselves for re-election at the AGM while Mr. HO Kwan Tat, Ted will not seek for re-election at the AGM and will retire as an Independent Non-Executive Director after the conclusion of the AGM.

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in this Annual Report, no transactions, arrangements and contracts that are significant in relation to the Group's business to which the Company, 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, 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.

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

As at 31 December 2022, the interests and short positions of each of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or notified to the Company and the Stock Exchange pursuant to the Model Code or otherwise, were as follows:

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

	Number of ordinary shares	Number of underlying shares		
Name of Directors	Corporate interest/ Interest of controlled corporation	Personal interest/ Beneficial owner *(Note 1)*	Total	Approximate percentage of the issued voting shares of the Company
Mr. WONG Kin Yip, Freddie	1,016,873,428 *(Note 2)*	18,000,000	1,034,873,428	57.32%
Ms. WONG Ching Yi, Angela	–	18,000,000	18,000,000	1%
Mr. WONG Alexander Yiu Ming	–	18,000,000	18,000,000	1%

Notes:

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

(2) These shares 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").

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

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

		Number of ordinary shares			
Name of associated corporations	Name of Directors	Personal interest/ Beneficial owner	Corporate interest/ Interest of controlled corporation	Total	Approximate percentage of the issued voting shares of associated corporations
Wealth Builder	Mr. WONG Kin Yip, Freddie	–	1 *(Note)*	1	100%
Powerful Surge Group Limited	Ms. WONG Ching Yi, Angela	5	–	5	5%

Note: Such share was held by Luck Gain which was directly wholly-owned by Mr. WONG Kin Yip, Freddie.

Save as disclosed above, as at 31 December 2022, neither the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2022, the interests and short positions of the substantial shareholders and other persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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	1,016,873,428 *(Note 1)*	Interest of controlled corporation/Corporate interest	56.33%
Wealth Builder	1,016,873,428 *(Note 1)*	Beneficial owner/Beneficial interest	56.33%
Ms. TANG Mei Lai, Metty	1,034,873,428 *(Note 2)*	Interest of spouse/Family interest	57.32%

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

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

Notes:

1. Luck Gain, which was directly wholly-owned by Mr. WONG Kin Yip, Freddie, was deemed to be interested in the 1,016,873,428 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. Such interests comprise (i) 1,016,873,428 ordinary shares held indirectly by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty; and (ii) 18,000,000 underlying shares (being physically settled unlisted derivatives) held by Mr. WONG Kin Yip, Freddie by virtue of the interests in the share options of the Company granted to him, as disclosed in the sections headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and "SHARE OPTION SCHEME" in this Annual Report. Accordingly, Ms. TANG Mei Lai, Metty was deemed to be interested in the same block of ordinary shares and underlying shares of the Company in which Mr. WONG Kin Yip, Freddie was deemed to be interested.

Save as disclosed above, as at 31 December 2022, no other substantial shareholders or persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

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 recognise 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, subject to such terms and conditions (including vesting period) as determined by the Board, 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 for options which may be granted under the Share Option Scheme was 180,528,260 shares, representing approximately 10% of the issued shares of the Company respectively as at the date of adoption of the Share Option Scheme and 1 January 2022.

The total number of shares available for issue for options which may be granted and for all outstanding options granted under the Share Option Scheme were 126,528,260 shares and 54,000,000 shares respectively, representing approximately 7% and 3% of the issued shares of the Company respectively as at 31 December 2022 and the date of this Annual Report.

SHARE OPTION SCHEME (Continued)

(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.

(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.

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

SHARE OPTION SCHEME (Continued)

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

Name	Date of grant (Note 1)	Exercise price per share HK$ (Note 2)	Number of share options: Balance outstanding as at 1 January 2022	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year	Balance outstanding as at 31 December 2022	Exercisable period
Directors									
Mr. WONG Kin Yip, Freddie	3 January 2022	0.128	–	18,000,000	–	–	–	18,000,000	3 January 2023 to 2 January 2030
Ms. WONG Ching Yi, Angela	3 January 2022	0.128	–	18,000,000	–	–	–	18,000,000	3 January 2023 to 2 January 2030
Mr. WONG Alexander Yiu Ming	3 January 2022	0.128	–	18,000,000	–	–	–	18,000,000	3 January 2023 to 2 January 2030
			–	54,000,000	–	–	–	54,000,000	

Notes:

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

2. The closing price of the shares of the Company immediately before the date of grant was HK$0.13.

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

4. Ratio of the number of shares that may be issued in respect of options granted under the Share Option Scheme during the year ended 31 December 2022 divided by weighted average number of shares in issue for the year ended 31 December 2022 is 3.0%.

Details of the above share options are also set out in note 30 to the consolidated financial statements.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for less than 30% of the total revenues of the Group during the year ended 31 December 2022.

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

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as "Related Parties" under applicable accounting principles. The significant related party transactions entered into by the Group during the year set out in note 35 to the consolidated financial statements which constitute non-exempt connected/continuing connected transactions are disclosed in the paragraphs below, in respect of which the relevant disclosure requirements under Chapter 14A of the Listing Rules have been complied with.

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 announcement had been made by the Company in accordance with the Listing Rules.

1. A tenancy agreement was made on 28 April 2022 between Midland Alliance Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shun Yik International Limited, a company wholly-owned by Mr. WONG Kin Yip, Freddie, as landlord whereby the landlord agreed to let the premises located at Office Nos. 11-17, 7th Floor, Tower B, New Mandarin Plaza, No. 14 Science Museum Road, Kowloon, Hong Kong for a term of one year from 1 May 2022 to 30 April 2023 at a monthly rental of HK$220,000 without rent-free period (details of which were disclosed in the announcement of the Company dated 28 April 2022).

2. A licence agreement was made on 19 November 2021 between Crown Lucky Investment Limited, an indirect wholly-owned subsidiary of the Company, as licensee and Moral Winner Investment Limited, a company wholly-owned by Mr. WONG Kin Yip, Freddie, as licensor whereby the licensor agreed to grant a licence to the licensee to install signage at the designated space of the external wall facing Shanghai Street of the building known as "No. 33 Argyle" at No. 33 Argyle Street, Kowloon, Hong Kong, for a term of one year from 1 December 2021 to 30 November 2022 at a monthly fee of HK$73,000 (details of which were disclosed in the announcement of the Company dated 28 April 2022).

CONTINUING CONNECTED TRANSACTIONS

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

A cross referral services framework agreement (the "Cross Referral Services Framework Agreement (2021)") was made on 8 February 2021 between the Company and Midland Holdings Limited ("Midland"), an associate of Mr. WONG Kin Yip, Freddie (the Chairman, Executive Director and controlling shareholder of the Company), in relation to cross referral services provided between the relevant members of the Group and of Midland and its subsidiaries (the "Midland Group") for a period of three years 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 Framework 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 years ended 31 December 2021 and 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 years ended 31 December 2021 and 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 Framework Agreement (2021) and the annual caps were set out in the announcement and the circular of the Company dated 8 February 2021 and 15 March 2021 respectively.

The aggregate values of the referral fees paid/payable (i) by the Group to the Midland Group and (ii) by the Midland Group to the Group under the Cross Referral Services Framework Agreement (2021) for the year ended 31 December 2022 was approximately HK$56.1 million and HK$22.4 million respectively, which had not exceeded the respective cap value for the 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, some of which 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, 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 cap for the rental received/receivable by the Group for the year ended 31 December 2022 had been fixed at HK$483,000. 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 2022 was approximately HK$473,000, which had not exceeded the annual cap for the year.

2. A tenancy agreement was made on 11 July 2022 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, 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 2022 to 14 July 2024 at a monthly rental of HK$98,000 with a rent-free period of 1 month.

   A tenancy agreement was made on 18 March 2022 between Teamway Group Limited, an indirect wholly-owned subsidiary of the Company, as landlord and Union Honor Limited, an indirect wholly-owned subsidiary of Midland, 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 2022 to 18 March 2023 at a monthly rental of HK$205,000 without rent-free period.

   A tenancy agreement was made on 19 March 2021 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, 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 2021 to 18 March 2022 at a monthly rental of HK$204,000 without rent-free period.

   The aggregated annual caps for the rental received/receivable by the Group for the year ended 31 December 2022 had been fixed at HK$3,200,000. Details of which were disclosed in the announcements of the Company dated 11 July 2022 and 27 March 2023. The total rentals received/receivable by the Group for the year ended 31 December 2022 was approximately HK$2,979,000, 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.

CONTINUING CONNECTED TRANSACTIONS (Continued)

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 50 to 52 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 2022 are set out in note 38 to the consolidated financial statements.

BANK LOANS

An analysis of bank loans of the Group as at 31 December 2022 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 2022.

DIRECTORS' 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" and in note 30 to the consolidated financial statements.

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 and is a controlling shareholder of Midland, and Ms. WONG Ching Yi, Angela held executive directorships in the Midland Group. The Midland Group is principally engaged in the provision of property agency services in respect of residential properties in Hong Kong, Macau and the PRC, property leasing, immigration consultancy services and money lending services.

As the Board of the Company is independent of the board of directors of Midland and none of the above Directors can control the Board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of the 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 2022 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
Legend Upstar Holdings Limited

WONG Ching Yi, Angela
Executive Director

Hong Kong, 27 March 2023

FINANCIAL REVIEW

Liquidity and financial resources

As at 31 December 2022, the Group had cash and cash equivalents of HK$212,785,000 (2021: HK$285,825,000), whilst bank loans amounted to HK$449,951,000 (2021: HK$421,974,000).

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

	2022 HK$'000	2021 HK$'000
Unsecured bank loan with repayment on demand clause		
– repayable within 1 year	**10,000**	–
Secured bank loans without repayment on demand clause		
– repayable within 1 year	**36,356**	54,246
– repayable after 1 year but within 2 years	**109,356**	14,246
– repayable after 2 years but within 5 years	**294,239**	353,482
	439,951	421,974
	449,951	421,974

The Group's bank loans were secured by certain investment properties held by the Group of HK$942,900,000 (2021: HK$853,200,000). As at 31 December 2022, the Group had unutilised borrowing facilities amounting to HK$153,000,000 (2021: HK$105,000,000) from banks. The Group's cash and bank balances are deposited in Hong Kong dollars and the Group's bank loans are in Hong Kong dollars. The bank loans and overdraft facilities were granted to the Group on a floating rate basis.

As at 31 December 2022, the gearing ratio of the Group was 39.4% (2021: 37.1%). The gearing ratio is calculated on the basis of the Group's total bank loans over total equity of the Group.

The liquidity ratio of the Group, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 2.9 (2021: 2.7). The return on equity of the Group, which is the ratio of (loss)/ profit for the year over total equity was -0.32% (2021: 4.38%).

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 2022, the Group has short term bank deposits of HK$183,194,000 (2021: HK$72,715,000).

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.

FINANCIAL REVIEW (Continued)

Acquisition of properties

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

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

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

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

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

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

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

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

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

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

As at 31 December 2022, the outstanding loan receivable was HK$362.4 million (2021: HK$317.7 million). The outstanding loan balance involved 41 cases (2021: 41 cases) with different borrowers. The single largest loan granted was HK$55.0 million (representing approximately 15% 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 79%. Amongst the outstanding loan portfolio, over 99% was secured by first mortgage over residential and non-residential properties, with overall loan to value ratio of approximately 67%. 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 minimise concentration by the relationship between borrowers to maintain a diversified client base and lessen credit risk exposures. Legend Credit's collection team will conduct periodic review of its portfolio to monitor risks of default. 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.

FINANCIAL REVIEW (Continued)

Contingent Liabilities

As at 31 December 2022, the Company executed corporate guarantee amounting to HK$618,400,000 (2021: HK$527,650,000) as the securities for general banking facilities and bank loans granted to certain subsidiaries. As at 31 December 2022, banking facilities of HK$449,951,000 were utilised by these subsidiaries (2021: HK$421,974,000).

The Group has been involved in certain claims/litigations in respect of property agency services, including a number of cases in which third party customers alleged that certain Group's employees, when advising the customers, had made misrepresentations about the properties that the customers intended to acquire. Among which, a trial of a case with a claim of HK$120,600,000 has commenced during the year ended 31 December 2022. The judgement of this case will be handed down in May 2023. After seeking legal advice, the management is of the opinion that either an adequate provision has been made in the 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 2022, the Group employed 577 full-time employees (2021: 659).

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

羅兵咸永道

TO THE SHAREHOLDERS OF LEGEND UPSTAR HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Legend Upstar Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 64 to 125, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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KEY AUDIT MATTERS

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

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

- Revenue recognition for property agency fees
- Expected credit loss allowance for trade receivables
- 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), 5(a) and 6 to the consolidated financial statements. The Group recognised revenue from property agency business of HK$389.1 million during the year, representing 86.4% of the total revenues reported by the Group. Property agency fees includes an element of consideration that is variable or contingent on the occurrence or non-occurrence of future events. Management estimated the amount of variable consideration included in the transaction price only to the extent that it is highly probable taking into consideration of the risk of fallen through and price concession based on customary industry practice, that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.	Our procedures in relation to the revenue recognition for property agency fees included: • We obtained an understanding of management's control and process of revenue recognition for property agency fees and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. • We evaluated and tested the design and operating effectiveness of the key controls over revenue recognition for property agency fees. • We evaluated management's assessment on the determination of variable consideration. We also evaluated the outcome of prior period assessment of revenue recognition to assess the effectiveness of management's estimation process. • We assessed the reasonableness of management's estimates used to determine variable consideration by considering various factors such as the terms set out in the contracts, the completion status of the sales transactions, price concession and other relevant market information.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for property agency fees (Continued)	
We focused on this area because the estimation of the variable consideration is subject to high degree of estimation uncertainty.	• We tested, on a sample basis, the data used in the calculation of the variable consideration to supporting evidence. Based on the procedures performed, we found the estimations made by management on the revenue recognition for property agency fees were supported in light of available evidence.
Expected credit loss allowance for trade receivables	
Refer to notes 3(i), 4(a)(i) and 5(b) to the consolidated financial statements. As at 31 December 2022, the Group had gross trade receivables of approximately HK$135.8 million, against which an expected loss allowance of HK$33.4 million was made.	Our procedures in relation to management's assessment of ECL allowance for trade receivables included: • We obtained an understanding of management's control and processes for the estimation of ECL allowance for trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors. • We evaluated and validated the key controls performed by management over the estimation of ECL allowance for trade receivables.

KEY AUDIT MATTERS (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit loss allowance for trade receivables (Continued)	
The Group applied the HKFRS 9 simplified approach to measure lifetime expected credit losses ("ECLs") allowance for all trade receivables. Management identified trade receivables with impairment indicators with reference to their knowledge about the customers, the completion status of related property transactions and the market conditions, and made ECL allowance for these trade receivables accordingly. Management grouped the remaining trade receivables based on the days past due and the sectors of the transacted properties, 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 ECL allowance involved a significant level of judgement by management to determine the use of internal and external data from various sources to establish the historical credit loss experience and to adjust this experience for expected future changes, recognising that these factors are all subject to a certain level of uncertainty.	• We assessed the appropriateness of the expected loss provisioning methodology in determining the expected credit loss allowance. • We assessed the estimates used to determine the expected credit loss by considering the completion status of the transactions, historical payment pattern, general market conditions and management's knowledge about credit worthiness of contracted parties. • We assessed the appropriateness of the grouping of the trade receivables based on their market segments and the credit risk characteristic assessed by reference to the available market information. • We tested, on a sample basis, accuracy of the trade receivables ageing report to invoices and other relevant documents. • We challenged the inputs, assumptions and estimation techniques, including historical credit loss rates and forward-looking information, used in determining the expected credit loss. Based on the results of the procedures performed, we found management's judgement and assumptions applied in assessing the expected credit loss allowance for trade receivables to be supported by available evidence.

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 17 to the consolidated financial statements. As at 31 December 2022, the investment properties of HK$1,060.5 million were measured at fair value in the consolidated balance sheet. There was a fair value loss of HK$11.3 million recognised in the consolidated income statement for the year. The Group's investment properties comprised offices and industrial units, serviced apartments, car parks and shops in Hong Kong. Management engaged an independent professional valuer to determine the fair value of the Group's investment properties. The fair value was derived by the income capitalisation method and direct comparison method, wherever appropriate. Income capitalisation method was based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates and prevailing market rents. Direct comparison method was based on comparable market transactions, as adjusted by the property-specific qualitative factors. 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.	Our procedures in relation to the valuation of investment properties included: • We understood management's controls and process for determining the valuation of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors. • We evaluated the competence, capabilities and objectivity of the independent professional valuer. • We obtained the valuation report of the investment properties and met the independent professional valuer to discuss the valuation methodologies and key assumptions. • We involved our internal valuation specialists and assessed the appropriateness of the valuation methodologies and the reasonableness of key assumptions used in the valuation of investment properties, based on our knowledge of the property industry, research evidence of capitalisation rates, prevailing market rents and comparable market transactions for similar properties, where applicable. • We tested, on a sample basis, the valuation input data on existing leases by agreeing the rental income and lease terms to the signed lease agreements. • We assessed the adequacy of the disclosures related to the valuation of investment properties in the context of HKFRS disclosure requirements. 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 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 THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ho Chiu Ping, Dennis.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2023

Consolidated Income Statement

For the Year Ended 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
Revenues	6(a)	450,083	541,319
Other loss, net	7	(8,503)	(1,797)
Staff costs	8	(221,099)	(307,853)
Rebate incentives		(114,816)	(73,692)
Advertising and promotion expenses		(9,452)	(8,430)
Amortisation of right-of-use assets		(27,723)	(26,347)
Depreciation of property and equipment	15	(3,793)	(1,738)
Net impairment losses on financial assets		(6,237)	(7,321)
Other operating costs	10	(50,519)	(46,349)
Operating profit		7,941	67,792
Bank interest income	11	1,202	249
Interest on bank loans	11	(10,734)	(3,129)
Interest on lease liabilities	11	(653)	(476)
Interest on convertible note	11	–	(1,829)
(Loss)/profit before taxation		(2,244)	62,607
Taxation	12	(1,408)	(12,723)
(Loss)/profit for the year		(3,652)	49,884
(Loss)/profit for the year attributable to:			
Equity holders		(3,689)	49,839
Non-controlling interests		37	45
		(3,652)	49,884
		HK cent	HK cents
(Loss)/earnings per share	14		
Basic		(0.204)	2.761
Diluted		(0.204)	2.690

	2022 HK$'000	2021 HK$'000
(Loss)/profit for the year	(3,652)	49,884
Other comprehensive income for the year		
Item that will not be reclassified to profit or loss		
Remeasurement of post-employment benefit obligation	3,524	–
Total comprehensive (loss)/income for the year	(128)	49,884
Total comprehensive (loss)/income for the year attributable to:		
Equity holders	(165)	49,839
Non-controlling interests	37	45
	(128)	49,884

Consolidated Balance Sheet

As at 31 December 2022

	Note	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Property and equipment	15	8,278	3,626
Right-of-use assets	16	37,169	26,361
Investment properties	17	1,060,500	974,200
Deposits	20	–	28,401
Loan receivables	21	10,000	10,000
Other financial assets at amortised cost	18	–	4,036
Deferred tax assets	19	12,309	6,349
		1,128,256	1,052,973
Current assets			
Trade and other receivables	20	125,250	142,271
Loan receivables	21	352,370	307,721
Other financial assets at amortised cost	18	–	2,337
Tax recoverable		1,863	2,146
Cash and cash equivalents	22	212,785	285,825
		692,268	740,300
Total assets		1,820,524	1,793,273
EQUITY AND LIABILITIES			
Equity holders			
Share capital	23	180,528	180,528
Share premium	23	745,086	745,086
Reserves	24	208,522	205,297
		1,134,136	1,130,911
Non-controlling interests		6,990	6,953
Total equity		1,141,126	1,137,864

	Note	2022 HK$'000	2021 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	19	8,596	6,445
Lease liabilities	16	17,732	11,213
Bank loans	25	403,595	367,728
Other payables	27	7,689	–
		437,612	385,386
Current liabilities			
Trade and other payables	27	165,332	186,740
Amounts due to non-controlling interests	28	420	420
Lease liabilities	16	21,634	20,736
Bank loans	25	46,356	54,246
Tax payable		8,044	7,881
		241,786	270,023
Total liabilities		679,398	655,409
Total equity and liabilities		1,820,524	1,793,273

The consolidated financial statements on pages 64 to 125 were approved by the Board of Directors on 27 March 2023 and were signed on its behalf.

WONG Ching Yi, Angela
Director

LO Chin Ho, Tony
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2022

	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 2022	180,528	745,086	205,297	1,130,911	6,953	1,137,864
(Loss)/profit for the year	–	–	(3,689)	(3,689)	37	(3,652)
Other comprehensive income						
Remeasurement of post-employment benefit obligation	–	–	3,524	3,524	–	3,524
Total comprehensive (loss)/ income for the year	–	–	(165)	(165)	37	(128)
Transaction with owners						
Share option scheme – value of employee services	–	–	3,390	3,390	–	3,390
At 31 December 2022	180,528	745,086	208,522	1,134,136	6,990	1,141,126
At 1 January 2021	180,528	745,086	155,458	1,081,072	6,908	1,087,980
Profit and total comprehensive income 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

	Note	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	31(a)	16,298	(100,171)
Hong Kong profits tax (paid)/refunded		(4,748)	2,087
Bank interest paid		(10,734)	(3,129)
Interest element of lease payments		(653)	(476)
Net cash generated from/(used in) operating activities		163	(101,689)
Cash flows from investing activities			
Net cash outflow from the acquisition of a subsidiary	29	(46,813)	(34,568)
Acquisition of property and equipment	15	(8,445)	(2,794)
Deposits paid for a property and a company acquisition		–	(28,401)
Acquisition of investment properties		(22,400)	(128,491)
Proceeds from disposal/redemption of other financial assets at amortised cost		6,390	38,841
Bank interest received		1,202	249
Net cash used in investing activities		(70,066)	(155,164)
Cash flows from financing activities			
Proceeds from borrowings		200,750	291,000
Repayment of bank loans		(172,773)	(3,358)
Principal elements of lease payments		(31,114)	(23,283)
Redemption of convertible note		–	(200,000)
Net cash (used in)/generated from financing activities		(3,137)	64,359
Net decrease in cash and cash equivalents		(73,040)	(192,494)
Cash and cash equivalents at 1 January		285,825	478,319
Cash and cash equivalents at 31 December		212,785	285,825

1 GENERAL INFORMATION

Legend Upstar Holdings Limited (formerly known as "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.

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

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

Significant event and transactions completed during the year

During the year, the Group has completed the acquisition of investment properties of HK$97,601,000 (including transaction costs) (2021: HK$163,291,000).

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 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 2022

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 income statement, 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 income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in consolidated statement of 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 consolidated statement of comprehensive income are reclassified to the consolidated income statement.

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 ("HK dollars"), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

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

(iii) Group companies

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings 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 consolidated income statement 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 income statement 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 income statement.

(e) Investment properties

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

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

(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 consolidated income statement and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

– 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 consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to consolidated income statement 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 income statement.

– 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 consolidated income statement 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, deposits, other receivables, cash and cash equivalents and other financial assets at amortised cost.

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 and loan to employee. 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 consolidated income statement 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 income statement over the period of the borrowings using the effective interest method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Borrowings (Continued)

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

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.

(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 capitalization.

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

(r) Taxation

The current taxation charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Post-employment obligations

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

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

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

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

Change in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised in consolidated income statement.

(iii) Share-based payment

– *Equity-settled share-based payment transactions*

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

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

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Employee benefits (Continued)

(iii) Share-based payment (Continued)

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

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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Revenue recognition (Continued)

(ii) Income from operating leases

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

(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 income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

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

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

To determine the incremental borrowing rate, the Group:

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Leases (Continued)

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

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

Right-of-use assets are generally amortised over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

All leases of low-value assets are recognised on a straight-line basis as an expense in consolidated income statement. Low-value assets comprise IT equipment and small items of office furniture.

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

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 consolidated income statement 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.

(i) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, trade receivables, loan receivables, deposits, other 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 guarantors. 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 ECL model. While cash and cash equivalents and other financial assets 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.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

Loan receivables (Continued)

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

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

Majority of 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 current value of collateral, ranges from 24% to 84% as at year end (2021: 19% to 79%). 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 with strong financial position 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, including completion status of related property transactions, the loss allowances for these trade receivables is assessed and measured at an amount equal to lifetime expected credit losses.

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

Trade receivables (Continued)

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.

On these basis, the loss allowances for trade receivables as at 31 December 2022 and 31 December 2021 were determined as follows:

As at 31 December 2022

			Loss allowance		
	Expected loss rate %	Gross carrying amount HK$'000	Individually assessed HK$'000	Collectively assessed HK$'000	Total HK$'000
Current (not yet due)	0.6%-5.6%	93,028	(2,535)	(1,607)	(4,142)
Less than 30 days past due	0.7%-9.0%	11,811	(2,170)	(136)	(2,306)
31-60 days past due	1.5%-15.8%	3,383	(1,814)	(132)	(1,946)
61-90 days past due	2.1%-23.4%	4,174	(2,250)	(220)	(2,470)
More than 90 days past due	3.5%-100%	23,453	(21,999)	(489)	(22,488)
		135,849	(30,768)	(2,584)	(33,352)

As at 31 December 2021

			Loss allowance		
	Expected loss rate %	Gross carrying amount HK$'000	Individually assessed HK$'000	Collectively assessed HK$'000	Total HK$'000
Current (not yet due)	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)

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

Trade receivables (Continued)

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.

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

	2022 HK$'000	2021 HK$'000
At 1 January	36,209	35,762
Provision for impairment	6,237	7,321
Write-off of uncollectible debts	(9,094)	(6,874)
At 31 December	33,352	36,209

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

For other financial assets, including deposits, other receivables and other financial assets at amortised cost, 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 and bank borrowings 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 loss after taxation would have been higher/lower and equity would have been lower/higher by approximately HK$481,000 correspondingly for the year ended 31 December 2022 (2021: profit after taxation and equity would have been approximately HK$435,000 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 and draw down of borrowings. Cash flow forecast is performed in the operating entities of the Group and aggregated by the Group Finance. The Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient head-room on its undrawn facilities (note 25) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Group has complied with the financial covenants of its borrowing facilities during the year ended 31 December 2022 and 2021.

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 2022, the Group has short term bank deposits of HK$183,194,000 (2021: HK$72,715,000). As at 31 December 2021, the Group had corporate bonds of HK$6,373,000.

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 2022					
Trade and other payables	–	165,332	3,195	168,527	168,427
Amounts due to non-controlling interests	420	–	–	420	420
Lease liabilities	–	22,281	17,980	40,261	39,366
Bank loans	10,038	55,321	438,234	503,593	449,951
	10,458	242,934	459,409	712,801	658,164
As at 31 December 2021					
Trade and other payables	–	186,740	–	186,740	186,740
Amounts due to non-controlling interests	420	–	–	420	420
Lease liabilities	–	21,035	11,318	32,353	31,949
Bank loans	–	59,294	380,377	439,671	421,974
	420	267,069	391,695	659,184	641,083

4 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Foreign exchange risk

As at 31 December 2022, all the Group's assets and liabilities are denominated in HK dollars. The foreign exchange exposure of the Group is minimal.

(b) Capital risk management

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

The capital structure of the Group consists of equity attributable to the equity holders and 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 divided by total equity.

The gearing ratios at 31 December 2022 and 2021 were as follows:

	2022 HK$'000	2021 HK$'000
Bank loans	449,951	421,974
Total equity	1,141,126	1,137,864
Gearing ratio	39.4%	37.1%

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, loan receivables, trade and other receivables and financial liabilities including amount due to non-controlling interests, 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 receivable and loan receivable whether there is objective evidence that the receivable is impaired. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtors and the local economic conditions that correlate with the potential risk of impairment on the transactions. For the remaining trade receivables, generally not arising from primary properties market transactions and having no objective evidence of impairment, the impairment is assessed based on the latest completed historical payment profile of sales over a period of 12 months and the corresponding historical credit losses experienced within that period.

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

(c) Fair value of investment properties

The fair value of investment properties is determined by using valuation techniques. Details of the judgement and assumptions used in the valuation have been disclosed in note 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 (or not terminate).
- Otherwise, the Group considers other factors including but not limited to the costs and business disruption required to replace the leased asset.

(f) Fair value of define benefit obligation

The fair value of define benefit obligation is determined by using valuation techniques. Details of the judgement and assumptions used in the valuation have been disclosed in note 27 to the consolidated financial statements.

6 REVENUES AND SEGMENT INFORMATION

(a) Revenues

	2022 HK$'000	2021 HK$'000
Revenues from contracts with customers within the scope of HKFRS 15		
Agency fee	389,058	498,568
Revenues from other sources		
Rental income	25,591	21,157
Interest income from credit business	35,375	19,706
Interest income from securities investment	59	1,888
	61,025	42,751
Total revenues	450,083	541,319

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 2022						
	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	167,334	95,395	137,758	25,591	35,375	59	461,512
Inter-segment revenues	(2,768)	(5,673)	(2,988)	–	–	–	(11,429)
Revenues from external customers	164,566	89,722	134,770	25,591	35,375	59	450,083
Timing of revenue recognition							
– At a point in time	164,566	89,722	134,770	–	–	–	389,058
Rental income	–	–	–	25,591	–	–	25,591
Interest income	–	–	–	–	35,375	59	35,434
	164,566	89,722	134,770	25,591	35,375	59	450,083
Segment results	(4,123)	1,282	826	6,261	25,701	234	30,181
Fair value loss on investment properties	–	–	–	(11,301)	–	–	(11,301)
Amortisation of right-of-use assets	(10,625)	(7,590)	(9,508)	–	–	–	(27,723)
Depreciation of property and equipment	(1,141)	(1,471)	(1,106)	(67)	(8)	–	(3,793)
Net (impairment losses)/ reversal of impairment on financial assets	(5,396)	2,091	(2,932)	–	–	–	(6,237)
Additions to non-current assets	5,081	1,292	1,802	69,222	34	–	77,431

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 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

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

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

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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

	2022 HK$'000	2021 HK$'000
Segment results for reportable segments	30,181	107,890
Fair value gain on convertible note (note 7)	–	517
Government subsidy (note 7)	2,591	–
Corporate expenses	(25,484)	(41,091)
Bank interest income	1,202	249
Interest on bank loans	(10,734)	(3,129)
Interest on convertible note	–	(1,829)
(Loss)/profit before taxation per consolidated income statement	(2,244)	62,607

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 2022						
	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	56,103	49,556	57,040	1,063,132	364,047	–	1,589,878
Segment liabilities	66,844	61,915	51,781	20,865	7,564	259	209,228

	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

6 REVENUES AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Reportable segment assets are reconciled to total assets as follows:

	2022 HK$'000	2021 HK$'000
Segment assets	1,589,878	1,494,884
Corporate assets	218,337	292,040
Deferred tax assets	12,309	6,349
Total assets per consolidated balance sheet	1,820,524	1,793,273

Reportable segment liabilities are reconciled to total liabilities as follows:

	2022 HK$'000	2021 HK$'000
Segment liabilities	209,228	203,272
Corporate liabilities	461,574	445,692
Deferred tax liabilities	8,596	6,445
Total liabilities per consolidated balance sheet	679,398	655,409

7 OTHER LOSS, NET

	2022 HK$'000	2021 HK$'000
Fair value loss on investment properties (note 17)	(11,301)	(2,691)
Fair value gain on convertible note (note 26)	–	517
Gain on disposal of other financial assets at amortised cost	17	183
Government subsidy	2,591	–
Others	190	194
	(8,503)	(1,797)

For the year ended 31 December 2022, subsidy received under the Employment Support Scheme of HK$2,591,000 was included in the government subsidy. There were no unfulfilled conditions or other contingencies attaching to these grants.

8 STAFF COSTS, INCLUDING DIRECTORS' EMOLUMENTS

	2022 HK$'000	2021 HK$'000
Salaries and allowances	112,051	114,253
Commissions	92,405	185,372
Pension costs for defined contribution plans	6,622	6,778
Pension costs for defined benefit plans	6,631	1,450
Share-based benefits	3,390	–
	221,099	307,853

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 income statement represents contributions paid and payable by the Group to the fund.

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

9 BENEFIT AND INTEREST OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Benefit and interest of directors

The remuneration of each director for the year ended 31 December 2022 is set out below:

	Fees HK$'000	Salaries and allowances HK$'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	100	2,400	230	18	2,748
Mr. LO Chin Ho, Tony	–	1,440	18	18	1,476
Mr. WONG Alexander Yiu Ming	100	948	1,128	18	2,194
	300	8,628	1,376	54	10,358
Independent Non-executive Directors					
Mr. SHA Pau, Eric	120	–	–	–	120
Mr. HO Kwan Tat, Ted	120	–	–	–	120
Mr. WONG Chung Kwong	120	–	–	–	120
Mr. LI Wai Keung (appointed with effect from 29 March 2022)	91	–	–	–	91
	451	–	–	–	451
	751	8,628	1,376	54	10,809

In addition to the directors' emoluments disclosed above, the estimated value of share options granted by the Company to Mr. WONG Kin Yip, Freddie, Ms. WONG Ching Yi, Angela and Mr. WONG Alexander Yiu Ming amounted to HK$1,130,000, HK$1,130,000 and HK$1,130,000 respectively (2021: nil). Including the estimated value of share options granted, total remuneration of Mr. WONG Kin Yip, Freddie, Ms. WONG Ching Yi, Angela and Mr. WONG Alexander Yiu Ming for the year ended 31 December 2022 amounted to HK$5,070,000, HK$3,878,000 and HK$3,324,000 respectively.

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

(a) Benefit and interest of directors (Continued)

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

	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. LO Chin Ho, Tony (appointed with effect from 1 July 2021)	–	720	–	905	9	1,634
Mr. WONG Alexander Yiu Ming (appointed with effect from 25 August 2021)	35	344	–	262	8	649
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

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

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.

For the year ended 31 December 2022 and 2021, no directors waived or agreed to waive any emoluments.

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 (2021: nil).

(i) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2021: HK$870,000).

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

During the year ended 31 December 2022, the Group did not pay consideration to any third parties for making available directors' services (2021: nil).

(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 2022, there were no loans, quasi-loans and other dealing arrangements in favour of directors, bodies corporate controlled by and entities connected with such directors (2021: nil).

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

Saved as disclosed in notes 26 and 35, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest for the year include four (2021: five) directors whose emoluments are reflected in the analysis shown in note 9(a). The emoluments payable to the remaining one individual for the year ended 31 December 2022 are as follows:

	2022 HK$'000	2021 HK$'000
Salaries and allowances	629	–
Retirement benefit costs	18	–
	647	–

The emoluments fell within the following band:

	Number of individual **2022**	2021
HK$0 – HK$1,000,000	1	–

10 OTHER OPERATING COSTS

	2022 HK$'000	2021 HK$'000
Office and branch operating expenses (remark)	16,681	15,367
Government rent and rates, building management fee (leased properties and investment properties)	7,291	5,900
Legal and professional fee	14,756	14,072
Trademark licensing fee (note 35(a))	1,380	2,129
Insurance expenses	4,493	3,639
Bank charges	1,343	940
Auditor's remuneration		
– audit services	1,467	1,467
– interim results review	343	343
Others	2,765	2,492
Other operating costs	50,519	46,349

For the year ended 31 December 2022, direct operating expenses arising from investment properties that generated rental income and did not generate rental income were HK$5,303,000 and HK$198,000 respectively, in which HK$2,736,000 were included in other operating costs.

For the year ended 31 December 2021, direct operating expenses arising from investment properties that generated rental income were HK$4,472,000 in which HK$2,058,000 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

	2022 HK$'000	2021 HK$'000
Finance income		
Bank interest income	1,202	249
Finance costs		
Interest on bank loans	(10,734)	(3,129)
Interest on lease liabilities	(653)	(476)
Interest on convertible note (note 26)	–	(1,829)
	(11,387)	(5,434)
Finance costs, net	(10,185)	(5,185)

12 TAXATION

	2022 HK$'000	2021 HK$'000
Current		
Hong Kong profits tax	5,217	6,403
Deferred tax (note 19)	(3,809)	6,320
	1,408	12,723

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profit for the year, except for one subsidiary of the Company which is a qualifying corporation under the two-tiered profits tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong profits tax for this subsidiary was calculated on the same basis in 2021.

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

	2022 HK$'000	2021 HK$'000
(Loss)/profit before taxation	(2,244)	62,607
Calculated at a taxation rate of 16.5% (2021: 16.5%)	(370)	10,330
Income not subject to taxation	(596)	(258)
Expenses not deductible for taxation purposes	2,478	2,624
Others	(104)	27
Taxation	1,408	12,723

13 DIVIDEND

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

14 (LOSS)/EARNINGS PER SHARE

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

	2022 **HK$'000**	2021 HK$'000
(Loss)/profit attributable to equity holders	(3,689)	49,839
Effect on conversion of convertible note	–	1,312
(Loss)/profit for calculation of diluted (loss)/earnings per share	(3,689)	51,151
Weighted average number of shares for calculation of basic (loss)/earnings 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 (loss)/earnings per share (thousands)	1,805,283	1,901,769
Basic (loss)/earnings per share (HK cents)	(0.204)	2.761
Diluted (loss)/earnings per share (HK cents)	(0.204)	2.690

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

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

For the year ended 31 December 2021, the weighted average number of shares was adjusted to assume conversion of all dilutive potential shares from the convertible note. The convertible note was assumed to have been converted into ordinary shares and the result was adjusted to eliminate the related expenses.

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 2022					
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
Year ended 31 December 2022					
Opening net book amount	1,337	450	1,374	465	3,626
Additions	5,281	327	2,837	–	8,445
Depreciation charge	(2,112)	(287)	(1,267)	(127)	(3,793)
Closing net book amount	4,506	490	2,944	338	8,278
At 31 December 2022					
Cost	11,599	4,002	27,357	507	43,465
Accumulated depreciation	(7,093)	(3,512)	(24,413)	(169)	(35,187)
Net book amount	4,506	490	2,944	338	8,278
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

16 LEASES

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

(i) Amounts recognised in the consolidated balance sheet

	2022 HK$'000	2021 HK$'000
Right-of-use assets		
Properties leased for own use	37,169	26,361
Lease liabilities		
Current	21,634	20,736
Non-current	17,732	11,213
	39,366	31,949

Additions to the right-of-use assets during the year ended 31 December 2022 were HK$38,531,000 (2021: HK$32,540,000).

(ii) Amounts recognised in the consolidated income statement

	2022 HK$'000	2021 HK$'000
Amortisation of right-of-use assets		
Properties leased for own use	(27,723)	(26,347)
Interest expense	(653)	(476)

The total cash outflow for leases during the year ended 31 December 2022 was HK$31,767,000 (2021: HK$23,759,000).

17 INVESTMENT PROPERTIES

	2022 HK$'000	2021 HK$'000
Opening net book amount	974,200	813,600
Additions	48,801	128,491
Addition of investment property through acquisition of a subsidiary (note 29)	48,800	34,800
Change in fair value recognised in the consolidated income statement (note 7)	(11,301)	(2,691)
Closing net book amount	1,060,500	974,200

Investment properties of HK$942,900,000 (2021: HK$853,200,000) are pledged as security for the Group's bank loans (note 25).

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

Valuation

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

As at 31 December 2022, 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 2022 and 2021, 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$28.8 to HK$40.3 per square foot (saleable) (2021: HK$29.1 to HK$41.3 per square foot (saleable))	N/A	2.90% to 3.35% (2021: 2.90% to 3.30%)
Direct comparison	N/A	HK$4,436 to HK$42,200 per square foot (saleable) (2021: HK$4,410 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$35.4 to HK$230.8 per square foot (saleable) (2021: HK$35.5 to HK$230.8 per square foot (saleable))	1.85% to 3.25% (2021: 1.85% to 3.25%)

Direct comparison method is used for the car parks' valuation, the range of the unit price (significant unobservable input) as at 31 December 2022 are from HK$1,600,000 to HK$2,000,000 (2021: 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
At cost	
Current	2,337
Non-current	4,036
	6,373

All the other financial assets at amortised cost were corporate bonds which were denominated in United States dollars ("US dollars"). As HK dollars is pegged with US dollars, the foreign currency risk exposure in respect of US dollars was considered minimal. There was 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 was HK$6,625,000. 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

	2022 HK$'000	2021 HK$'000
Deferred tax assets	12,309	6,349
Deferred tax liabilities	(8,596)	(6,445)
	3,713	(96)

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

	2022 HK$'000	2021 HK$'000
At 1 January	(96)	6,224
Recognised in the consolidated income statement (note 12)	3,809	(6,320)
At 31 December	3,713	(96)

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	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
At 1 January	4,278	9,356	811	817	1,841	1,642	6,930	11,815
Recognised in the consolidated income statement	8,451	(5,078)	(195)	(6)	(1,415)	199	6,841	(4,885)
At 31 December	12,729	4,278	616	811	426	1,841	13,771	6,930

Deferred tax liabilities

	Accelerated tax depreciation	
	2022 HK$'000	2021 HK$'000
At 1 January	(7,026)	(5,591)
Recognised in the consolidated income statement	(3,032)	(1,435)
At 31 December	(10,058)	(7,026)

Deferred tax assets are recognised for tax losses carry forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of HK$5,590,000 (2021: HK$5,590,000) in respect of losses amounting to HK$33,879,000 (2021: HK$33,879,000) as at 31 December 2022. These tax losses can be carried forward indefinitely.

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

	2022 HK$'000	2021 HK$'000
Deferred tax assets		
– Recoverable after more than twelve months	12,309	6,349
Deferred tax liabilities		
– Payable or settle after more than twelve months	(8,596)	(6,445)

20 TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	135,849	159,881
Less: loss allowance	(33,352)	(36,209)
Trade receivables, net	102,497	123,672
Other receivables, prepayments and deposits	22,753	47,000
	125,250	170,672
Categorised as		
Current portion	125,250	142,271
Non-current portion	–	28,401
	125,250	170,672

As at 31 December 2021, the non-current portion represented deposits made for a property acquisition and a company acquisition.

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:

	2022 HK$'000	2021 HK$'000
Current (not yet due)	88,886	112,516
Less than 30 days past due	9,505	5,617
31 to 60 days past due	1,437	1,354
61 to 90 days past due	1,704	1,825
More than 90 days past due	965	2,360
	102,497	123,672

Trade receivables of HK$13,611,000 (2021: HK$11,156,000) 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

	2022 HK$'000	2021 HK$'000
Loan receivables – loan to employee	179	–
Loan receivables – property mortgage loans	362,191	317,721
Total loan receivables	362,370	317,721
Less: non-current portion	(10,000)	(10,000)
Current portion	352,370	307,721

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

	2022 HK$'000	2021 HK$'000
Within 1 year	352,370	307,721
After 1 year but within 2 years	10,000	10,000
	362,370	317,721

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

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

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

The Group's loan receivables are denominated in HK dollars.

22 CASH AND CASH EQUIVALENTS

	2022 HK$'000	2021 HK$'000
Cash at banks and on hand	29,591	213,110
Short term bank deposits	183,194	72,715
	212,785	285,825

23 SHARE CAPITAL AND PREMIUM

	Number of issued shares (HK$0.10 each)	Nominal value HK$'000	Share premium HK$'000	Total HK$'000
At 1 January 2021, 31 December 2021 and 31 December 2022	1,805,282,608	180,528	745,086	925,614

The total authorised number of ordinary shares is 5 billion shares (2021: 5 billion shares) with a nominal value of HK$0.10 per share. All issued shares are fully paid.

24 RESERVES

	Merger reserve HK$'000 (note (a))	Capital reserve HK$'000 (note (b))	Employee benefits reserve HK$'000	Convertible note equity reserve HK$'000	Retained earnings HK$'000	Total HK$'000
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
At 1 January 2022	(559,073)	14,918	–	–	749,452	205,297
Loss for the year	–	–	–	–	(3,689)	(3,689)
Other comprehensive income						
Remeasurement of post-employment benefit obligation	–	–	–	–	3,524	3,524
Transaction with owners						
Share option scheme – value of employee services	–	–	3,390	–	–	3,390
At 31 December 2022	(559,073)	14,918	3,390	–	749,287	208,522

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:

	2022 HK$'000	2021 HK$'000
Unsecured bank loan with repayment on demand clause		
– repayable within 1 year	10,000	–
Secured bank loans without repayment on demand clause		
– repayable within 1 year	36,356	54,246
– repayable after 1 year but within 2 years	109,356	14,246
– repayable after 2 years but within 5 years	294,239	353,482
	439,951	421,974
	449,951	421,974
Categorised as:		
Current portion	46,356	54,246
Non-current portion	403,595	367,728
	449,951	421,974

The Group's bank loans are denominated in HK dollars.

The bank loans are secured by investment properties of HK$942,900,000 (2021: HK$853,200,000) 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.

The Group has the following undrawn borrowing facilities:

	2022 HK$'000	2021 HK$'000
Floating rates		
Expiring within one year	93,000	65,000
Expiring after one year	60,000	40,000
	153,000	105,000

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 controlling 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
At the beginning of the year	198,688
Interest expenses (note 11)	1,829
Fair value gain (note 7)	(517)
Redemption	(200,000)
At the end of the year	–

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

27 TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Commissions and rebate payables	115,206	127,321
Other payables and accruals	53,221	57,755
Defined benefit obligation	4,594	1,664
	173,021	186,740
Categorised as		
Current portion	165,332	186,740
Non-current portion	7,689	–
	173,021	186,740

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$23,050,000 (2021: HK$19,865,000) in respect of which the corresponding agency fees have been received, and are due for payment within 30 days after year end, and all the remaining commissions and rebate payables are not yet due.

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

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

	2022 HK$'000	2021 HK$'000
At the beginning of the year	1,664	718
Service costs	6,610	1,446
Interest costs	21	4
Actuarial gain	(3,524)	–
Benefit paid	(177)	(504)
At the end of the year	4,594	1,664

27 TRADE AND OTHER PAYABLES (Continued)

The significant actuarial assumptions used are as follows:

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

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

	Change to adopted rate	Effect on defined benefit obligation
Discount rate	+0.5%/–0.5%	-4.9%/+5.3%
Expected rate of salary increase	+0.5%/–0.5%	+0.9%/–1.0%

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

The Group's trade and other payables are mainly denominated in HK dollars.

28 AMOUNTS DUE TO NON-CONTROLLING INTERESTS

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

29 ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Wise Stand Limited

On 12 April 2022, the Group completed the acquisition of 100% of the issued shares of Wise Stand Limited at a consideration of HK$48.8 million. The principal asset of the company is the entire interest in the properties located at Ground Floor, No. 224 Queen's Road West, Hong Kong and Cockloft, No. 224 Queen's 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)	48,800
Tax recoverable	23
Prepayments	8
Other payables and accruals	(18)
Total identified net assets acquired	48,813
Satisfied by:	
– cash	46,813
– deposit paid	2,000
	48,813

Deposit of HK$2,000,000 had been paid during the year ended 31 December 2021 and the remaining amount of HK$46,813,000 was settled during the year ended 31 December 2022.

29 ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of Power Kingdom International Limited

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 SHARE-BASED BENEFITS

On 18 June 2020, the Company adopted a share option scheme (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.

The principal purposes of the Share Option Scheme are to enable the Group to recruit and retain high calibre participants and attract human resources that are valuable to the Group, to recognise 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.

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. 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 aforesaid limits shall be separately approved by the shareholders of the Company in a general meeting.

30 SHARE-BASED BENEFITS (Continued)

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 of directors of the Company 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 which must be a business day;

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

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

Each option gives the holder the right to subscribe for one ordinary share in the company and is settled gross in shares.

In January 2022, 54,000,000 share options were granted to certain directors of the Company under the Share Option Scheme (2021: nil). Each option gives the holders the right to subscribe for one ordinary share of the Company. A consideration of HK$1 from each of the grantees was received. These share options would vest on 3 January 2023, and then be exercisable for a period of 7 years from 3 January 2023 to 2 January 2030 (both days inclusive).

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

Share price at date of grant	:	HK$0.128
Exercise price	:	HK$0.128
Option life	:	8 years
Expected volatility	:	49.63%
Expected dividend yield	:	0.00%
Risk-free rate	:	1.286%
Exercise multiple	:	2.80x

The expected volatility is based on the 2015-day historical volatility of the Company's share price as at the valuation date.

Based on the above assumptions, the estimated fair value of each share option was HK$0.0631. Any changes in the parameters may materially affect the estimation of the fair value of a share option. For the year ended 31 December 2022, the Group has recognised share-based benefits expenses of HK$3,390,000 in the consolidated income statement (2021: nil).

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

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

Exercisable period	Exercise price per share	Number of options	
	HK$	**2022**	2021
3 January 2023 to 2 January 2030	0.128	54,000,000	–

30 SHARE-BASED BENEFITS (Continued)

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

	2022	
	Weighted average exercise price per share HK$	Number of options
At beginning of the year	–	–
Granted	0.128	54,000,000
At the end of the year	0.128	54,000,000

As at 31 December 2022, no option was exercisable.

There is no share options lapsed, cancelled or exercised during the year ended 31 December 2022.

There was no share options granted, lapsed, cancelled or exercised during the year ended 31 December 2021.

The options outstanding as at 31 December 2022 had a weighted average remaining contractual life of 7 years.

31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2022 HK$'000	2021 HK$'000
Operating profit	7,941	67,792
Amortisation of right-of-use assets	27,723	26,347
Depreciation of property and equipment	3,793	1,738
Net impairment losses on financial assets	6,237	7,321
Share-based benefits (note 8)	3,390	–
Fair value loss on investment properties (note 7)	11,301	2,691
Fair value gain on convertible note (note 7)	–	(517)
Gain on disposal of other financial assets at amortised cost (note 7)	(17)	(183)
Operating profit before working capital changes	60,368	105,189
Change in trade and other receivables	10,792	(32,975)
Change in loan receivables	(44,649)	(203,381)
Change in trade and other payables	(10,213)	30,996
Net cash generated from/(used in) operations	16,298	(100,171)

31 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Debt reconciliation

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

	Bank loans due within one year HK$'000	Bank loans due after one year HK$'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 2021	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
Cash flows	(7,890)	35,867	–	–	(31,114)	(3,137)
Other non-cash movements	–	–	–	–	38,531	38,531
Net debt as at 31 December 2022	46,356	403,595	–	420	39,366	489,737

32 CONTINGENT LIABILITIES

As at 31 December 2022, the Company executed corporate guarantee amounting to HK$618,400,000 (2021: HK$527,650,000) as the securities for general banking facilities and bank loans granted to certain subsidiaries. As at 31 December 2022, banking facilities of HK$449,951,000 were utilised by these subsidiaries (2021: HK$421,974,000).

The Group has been involved in certain claims/litigations in respect of property agency services, including a number of cases in which third party customers alleged that certain Group's employees, when advising the customers, had made misrepresentations about the properties that the customers intended to acquire. Among which, a trial of a case with a claim of HK$120,600,000 has commenced during the year ended 31 December 2022. The judgement of this case will be handed down in May 2023. After seeking legal advice, the management is of the opinion that either an adequate provision has been made in the 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.

33 FUTURE LEASE RENTAL RECEIVABLE

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

	2022 HK$'000	2021 HK$'000
Within one year	13,902	11,533
Between one year and five years	6,865	5,091
	20,767	16,624

34 CAPITAL COMMITMENTS

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

For the year ended 31 December 2021, 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. The transactions was completed in January 2022 and April 2022 respectively. The capital expenditure contracted for as at 31 December 2021 but not recognised as liabilities were HK$46,800,000.

35 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	**2022 HK$'000**	2021 HK$'000
Agency fee income from related companies	(i)	22,353	27,171
Rental income from related companies	(ii)	3,452	3,349
Rebate incentives to related companies	(iii)	(56,134)	(58,521)
Trademark licensing fee to a related company	(iv)	(1,380)	(2,129)
Licensing fee to a related party	(v)	(422)	(422)
Management fee expenses to a related party	(vi)	(715)	(658)

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"), on terms mutually agreed by both parties. The licensing agreement does not constitute connected transaction or continuing connected transaction under the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange.

(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 fee on a cost basis with an aggregate amount of HK$14,155,000 with related companies (2021: HK$16,582,000).

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(b) During the year ended 31 December 2022, the Group entered into two leases with certain companies, of which Mr. WONG is the beneficial owner, on terms mutually agreed by both parties. At the commencement date of the leases, the Group recognised right-of-use assets of HK$3,476,000 (2021: HK$803,000).

During the year ended 31 December 2022, lease payments to certain companies, of which Mr. WONG is the beneficial owner, under certain leases were HK$3,636,000 (2021: HK$3,876,000).

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

	2022 HK$'000	2021 HK$'000
Trade and other receivables		
Amounts due from related companies	14,519	23,444
Trade and other payables		
Amounts due to related companies	(35,994)	(27,859)
Lease liabilities		
Amounts due to other related parties (note 35(b))	(1,663)	(1,799)

The related companies referred in notes 35(a) and 35(c) represent the subsidiaries of Midland. Mr. WONG is also the director and controlling shareholder of Midland.

(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 (2021: HK$210,000).

(e) Key management compensation

	2022 HK$'000	2021 HK$'000
Fees, salaries, allowances and incentives	10,304	12,052
Share-based benefits	3,390	–
Retirement benefit costs	54	34
	13,748	12,086

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. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected Transactions" and "Continuing Connected Transactions" of the Report of the Directors.

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2022 HK$'000	 2021 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		330,809	640,000
Current assets			
Amounts due from subsidiaries		762,032	789,635
Other receivables, prepayments and deposits		2,403	2,032
Tax recoverable		–	12
Cash and cash equivalents		1,080	1,070
		765,515	792,749
Total assets		1,096,324	1,432,749
EQUITY AND LIABILITIES			
Equity holders			
Share capital		180,528	180,528
Share premium		745,086	745,086
Reserves	(a)	167,265	503,313
Total equity		1,092,879	1,428,927
LIABILITIES			
Current liabilities			
Other payables and accruals		2,862	3,822
Tax payable		583	–
Total liabilities		3,445	3,822
Total equity and liabilities		1,096,324	1,432,749

The balance sheet of the Company was approved by the Board of Directors on 27 March 2023 and was signed on its behalf.

WONG Ching Yi, Angela
Director

LO Chin Ho, Tony
Director

36 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	Employee benefits reserve HK$'000	Retained earnings HK$'000	Total HK$'000
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
At 1 January 2022	2,509	–	–	500,804	503,313
Loss for the year	–	–	–	(339,438)	(339,438)
Transaction with owners					
Share option scheme					
– value of employee services	–	–	3,390	–	3,390
At 31 December 2022	2,509	–	3,390	161,366	167,265

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.

37 EVENT AFTER THE REPORTING PERIOD

Disposal of the entire equity interest in a subsidiary

On 7 March 2023, the Group entered into a provisional agreement to sell the entire equity interest of an indirect wholly owned subsidiary of the Company (including the assignment of the sale debt) at a consideration of HK$33,500,000. The principal asset of this subsidiary is the entire interest in a property located at Shop No. 6 on Ground Floor, Cambridge Court, Nos. 84A-84H & 84J-84M Waterloo Road, Kowloon, Hong Kong.

The completion of the disposal shall take place on or before 3 May 2023.

Details of the disposal were set out in the Company's announcement dated 7 March 2023.

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES

Company name	Place of incorporation/ establishment	Issued/registered and paid up capital	Principal activities and place of operation	Interest held (%) 2022	2021
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	100
Evergold Development Limited	Hong Kong	1 share	Property investment in Hong Kong	100	100
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	100
Ketanfall Group Limited (note)	British Virgin Islands	14 shares of US$1 each	Investment holding in Hong Kong	100	100

38 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 (%) 2022	2021
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
Most Wealth (Hong Kong) Limited	Hong Kong	3 shares	Property investment in Hong Kong	100	100

38 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 (%) 2022	2021
Power Kingdom International Limited	Hong Kong	1 share	Property investment in Hong Kong	100	100
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	100
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	100
Wise Stand Limited	Hong Kong	10,000 shares	Property investment in Hong Kong	100	–

Note: The subsidiaries are directly held by the Company.

List of Investment Properties

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	Carpark	Medium	100%
Nos 33 and 35 Java Road, North Point, Hong Kong	IL6828 and IL6829	Commercial	Medium	100%
5/F, LMK Development Estate, Nos 10-16 Kwai Ting Road, Kwai Chung, New Territories	KCTL139	Industrial	Medium	90%
6/F, LMK Development Estate, Nos 10-16 Kwai Ting Road, Kwai Chung, New Territories	KCTL139	Industrial	Medium	90%
7/F, LMK Development Estate, Nos 10-16 Kwai Ting Road, Kwai Chung, New Territories	KCTL139	Industrial	Medium	90%
8/F, LMK Development Estate, Nos 10-16 Kwai Ting Road, Kwai Chung, New Territories	KCTL139	Industrial	Medium	90%
12/F, LMK Development Estate, Nos 10-16 Kwai Ting Road, Kwai Chung, New Territories	KCTL139	Industrial	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	Carpark	Medium	90%
Shop 6, G/F, Cambridge Court, Nos 84A-84H & 84J-84M Waterloo Road, Kowloon	KIL7981	Shop	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%

Location	Lot number	Existing use	Lease term	Group's interest
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	Shop	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	Shop	Medium	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	Shop	Medium	100%
Shop 3 on Ground Floor, Bijou Apartments, No. 157 Prince Edward Road West, Kowloon	The Remaining Portion of KIL9274	Shop	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	Shop	Long	100%
Ground Floor of No.192 Hai Tan Street, Kowloon	The Remaining Portion of NKIL147	Shop	Medium	100%
Shop A1B on Ground Floor, Tai Fu Building, Nos. 6-20 Tai Tsun Street, Nos. 129-137 Tai Kok Tsui Road, Cosmopolitan Estate, Kowloon	The Remaining Portion of Section N of Kowloon Marine Lot No. 28	Shop	Long	100%
Ground Floor and Cockloft, No. 224 Queen's Road West, Hong Kong	IL4393	Shop	Long	100%
Shop D on Ground Floor, Wah Fat Mansion, Nos. 1M, 1N & 1P-1T Tung Choi Street, Kowloon	KIL6987	Shop	Medium	100%

Five-Year Financial Summary

	Year ended 31 December				
	2022 HK$'000	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000
For the year					
Revenues	450,083	541,319	342,677	442,126	628,832
(Loss)/profit before taxation	(2,244)	62,607	(9,549)	(20,444)	60,396
(Loss)/profit attributable to equity holders of the Company	(3,689)	49,839	(7,275)	(19,504)	48,148
Cashflows					
Net cash generated from/(used in) operating activities	163	(101,689)	(15,572)	(2,789)	54,324
At year end					
Total assets	1,820,524	1,793,273	1,607,786	1,610,857	1,661,120
Total liabilities	679,398	655,409	519,806	514,846	540,454
Non-controlling interests	6,990	6,953	6,908	7,664	7,761
Total equity	1,141,126	1,137,864	1,087,980	1,096,011	1,120,666
Cash and cash equivalents	212,785	285,825	478,319	543,759	593,214
Per share data	HK cent	HK cents	HK cent	HK cents	HK cents
Basic (loss)/earnings per share	(0.204)	2.761	(0.403)	(1.080)	2.667
Diluted (loss)/earnings per share	(0.204)	2.690	(0.403)	(1.080)	2.497

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