砥礪奮進 成就置富人生

Forging Ahead for Prosperous Legacy

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

Annual Report 2019 年報

www.midland.com.hk

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

Mr. WONG Wing Cheung Dennis

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. MUI Ngar May, Joel

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

AUDITOR

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

PRINCIPAL BANKERS

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

HONG KONG LEGAL ADVISER

Iu, Lai & Li Solicitors & Notaries
Rooms 2201, 2201A & 2202
22nd Floor, Tower I
Admiralty Centre
No. 18 Harcourt Road, Admiralty
Hong Kong

BERMUDA LEGAL ADVISER

Conyers Dill & Pearman
29th Floor
One Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.midland.com.hk

STOCK CODE

1200

Strategic Business Units

美聯集團 MIDLAND HOLDINGS
(1200)香港聯交所上市公司

- REAL ESTATE AGENCY
  - 美聯物業 MIDLAND REALTY
  - 美聯工商舖 MIDLAND IC&I (459)香港聯交所上市公司
  - 美聯中國
  - 美聯澳門 MIDLAND MACAU
  - 香港置業 HONG KONG PROPERTY
  - 美聯環球 MIDLAND GLOBAL
- FINANCIAL SERVICES
  - MIDLAND FINANCIAL GROUP 美聯金融集團
- IMMIGRATION CONSULTANCY
  - 美聯移民顧問 MIDLAND IMMIGRATION CONSULTANCY
- PROPERTY VALUATION
  - 美聯測量師行 MIDLAND SURVEYORS
- TRAINING SERVICES
  - (Midland University)
- MORTGAGE BROKERAGE
  - 經絡按揭 全港之冠 (mReferral Mortgage Brokerage Services)

Strategic Business Units	Business Description
美聯物業 MIDLAND REALTY Midland Realty	Provision of residential property agency services in Hong Kong
美聯工商舖 MIDLAND IC&I (459) 香港聯交所上市公司 Midland IC&I	An associate of the Company, providing non-residential property agency services in respect of industrial, commercial and shop properties and property investment in Hong Kong
美聯中國 Midland China	Provision of property agency services, project planning, commercial property management and marketing and sales planning in the PRC
美聯澳門 MIDLAND MACAU Midland Macau	Provision of property agency services, surveying, project planning, leasing and property management services in Macau
香港置業 HONG KONG PROPERTY Hong Kong Property	Provision of residential property agency services in Hong Kong
美聯環球 MIDLAND GLOBAL Midland Global	Provision of overseas property projects' marketing and referral services in the PRC, Hong Kong and Macau
MIDLAND FINANCIAL GROUP 美聯金融集團 Midland Financial Group	A joint venture of the Company, providing independent financial planning consultancy services, insurance brokerage and wealth management services
美聯移民顧問 MIDLAND IMMIGRATION CONSULTANCY Midland Immigration Consultancy	Provision of immigration consultancy services in Hong Kong and Macau
美聯測量師行 MIDLAND SURVEYORS Midland Surveyors	Provision of professional surveying consultancy services including valuation advisory, development study, sales, marketing, tender and auction for projects
Midland University	Group's training center with the vision to strengthen the professionalism of employees, to lead the market as well as to cultivate elite for the industry
mReferral Mortgage Brokerage Services 經絡按揭 全港之冠	A joint venture with a major developer, offering mortgage referral services as well as provision of related information

Major Events and Awards for the Year

Innovative technologies

The Group strives to enhance its digital marketing strategies and omni-channel promotion though big data analysis. To meet the demand for online property purchase, it has launched the revamped "Midland Realty App" featuring more thoughtful functions. With the average daily number of downloads reaching 4 times more than that of the previous version in the first quarter after its debut, the app allows customers to promptly kick start their property purchase journey anytime and anywhere.

The Group was also the first to partner with a scalable local bank to launch the new "Instant Property Valuation" service on its website and mobile app so that customers can refer to real-time online property valuation when searching for flats and then set the best budget for property purchase and mortgage application. Such service has processed over 450,000 enquiries in the first 4 months after its launch. The Group also deploys "360 Cameras" to expedite the filming process. Thanks to the epidemic, the Group's official website has become citizen's prime channel for property enquiries, as proved by the number of visits that has surged by nearly 60% from the outbreak of coronavirus to late March.

Winning five "Investor Relations Awards"

The Group is committed to promoting corporate governance, establishing a sound governance mechanism and maintaining close liaison with shareholders. Hence, it won five of the Investor Relations Awards (small-caps category) organised by the Hong Kong Investor Relations Association, namely "Best IR by Chairman/CEO", "Best Investor Relations Officer", "Best IR Company", "Best Investor Presentation Material" and "Best IR Team". As the only award-winning real estate agency group, the Group has become a benchmark for excellence in the industry.

Receiving developers' recognition for brilliant performance in the new property segment



The Group has recorded brilliant sales performance in the new property segment. With close relationship with major developers and remarkable sales figures that are widely-recognised, Midland Realty was appointed as the exclusive agent for various new property projects, including AVA228, One Eighty and others. Top sales performance was also achieved in various new projects including The Grand Marine, The Vantage, OMA OMA, L'AQUATIQUE, Poggibonsi and others.

Major Events and Awards for the Year

New branch design concepts

The Group strives to create a "Perfect Experience" for its customers through constant optimisation of branches. Among all branches, the one at Ocean Walk, Tuen Mun adopted an entirely new customer-oriented design concept with electronic screens and district maps showing comprehensive information of properties, agents and housing estates. Together with comfortable reception areas and meeting spaces, the new design concept has made "seamless integration of online and offline property search" possible. In the future, more branches will be further enhanced with other innovative elements for the purpose of helping customers search for their dream home.

Winning honourable accolades from Hong Kong Call Centre Association (HKCCA) for the 2nd time

The Group is committed to listening to and understanding our customers' needs and expectations. In this regard, it established the industry's first "Integrated Customer Centre" in 2016, which allowed it to earn the honourable accolades of Bronze Award in both "Best Contact Centre in Omni-channel Deployment" and "Inbound Contact Centre of the Year" by HKCCA. This served as a testament to the Group's competitiveness against industry heavyweights and a recognition of its outstanding customer service.

Launching another new social media channel "Midland Prosperous Channel"

The Group has always kept abreast of the times. In order to provide customers with richer information on property purchase and wealth management, the Group launched the "Midland Prosperous Channel" comprising a total of 9 channels. Among all, the live programme "Fortune Live Broadcast" is the first of its kind in the industry. Inviting professionals from different sectors to share their investment know-how, the programme offers its audience the latest property market information and assists them to seize the opportunity to enter the market, which allowed its views to amount to nearly 1 million within 3 months after its premiere. More information, including a new channel featuring agents sharing videos of properties for sale, was offered to provide customers with property recommendations anytime and anywhere.

Obtaining exceptional results at the 51st "Distinguished Salesperson Award"

Thanks to the Group's effort in acquiring and nurturing talents, 31 of its outstanding frontline staff won the 51st "Distinguished Salesperson Award" organised by the Hong Kong Management Association. With the most awardees in the industry in Hong Kong and Macau for 3 years in a row, the Group has its achievement in staff training and development widely recognised by various sectors.

Organising CPU Annual Conference to motivate staff

The Group is dedicated to promoting a "people-oriented" culture across the organisation and organises "CPU Annual Conference" specifically for staff from its Central Professional Units (CPU) on a yearly basis. The Group's management shared plans on future development, conducted live Q&A forum with top management team and exchanged employment engagement views across the team.

TV premiere of Midland's "Building a Prosperous Future" series

The Group once again pioneered the industry by partnering with a TV broadcaster to launch the industry's first TV series featuring stories of real estate agents. Named "Building a Prosperous Future", the programme deepens public's understanding of the real estate agency industry by inviting industry elites to share their pursuit of success, tips for property purchases, journey with Midland as well as stories of helping clients acquire their own homes.

Being awarded "The Best Partner of Developers" for the 8th time

The Group has been awarded "The Best Partner of Developers" by CAPITAL WEEKLY for the 8th time, and is the only agency among the industry to receive this award. This serves as a proof of its successful partnership and collaboration with developers.

Being awarded the "Hong Kong Outstanding Enterprises (Main Board Companies)" for 7 consecutive years

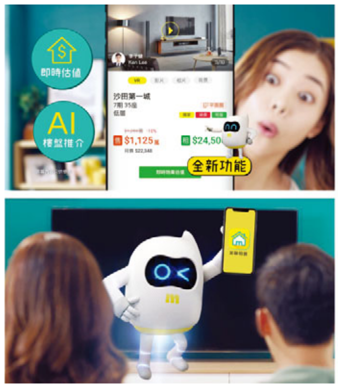
The Group has won the "Hong Kong Outstanding Enterprises (Main Board Companies)" by the Economic Digest for 7 consecutive years and received the "Extraordinary Enterprise Awards". As the only real estate agency in Hong Kong receiving these two accolades, the Group's position as the industry leader has been testified.

Becoming the "Gold Brick Partner" of "MONOPOLY DREAMS HONG KONG™"

The Group's vision of "Building a Prosperous Future" coincides with the high-end image of Mr. MONOPOLY. As a result, it has become the Gold Brick Partner of the world's first MONOPOLY-themed attraction "MONOPOLY DREAMS HONG KONG™" upon its debut in Hong Kong. Both brands jointly launched robust promotion campaigns, and the Group offered free tickets to its customers from time to time as a token of appreciation for their continued support.

Clinching "PROchoice Property Agency" for the 7th consecutive year

With progressive marketing strategies and well-received promotion effort, the Group has stood out from the crowd and earned the honour of "PROchoice Property Agency" by CAPITAL WEEKLY for the 7th consecutive year as a recognition of its brand vision.



Introducing the cutting-edge Midland Confidence Index

With adherence to the spirit of "Understand First, Then Invest", the Group launched the first-of-its-kind "Midland Confidence Index". Based on big data analysis of the property price variation in the "Find Property" section of Midland's official website, the index reflects owners' attitude towards selling their properties and their confidence in the market, which helps the public seize the opportunity for market entry by providing forecasts for the trend of property price.

The Group also rolled out the first "Midland Global Index" in the industry which collects property prices denominated in US$ in 14 first-tier regions or cities around the world. The index allows customers to compare the trend of property market in different regions over the past 10 years and therefore get a better grip on the market overview before entering into the market.

Winning "The Best Customer Experience Brand" award for the 3rd consecutive year

The Group's outreach into the digital field has allowed it to excel in boosting customer experience with new online applications. The winning of "The Best Customer Experience Brand" of e-zone's "E-brand Awards" for 3 consecutive years has testified the Group's outstanding achievement in innovative service enhancement in the new technology-led era.

Chairman's Statement

Business Review

Midland Holdings Limited (the "Company") and together with its subsidiaries (collectively the "Group") announces that for the year ended 31 December 2019, it recorded a revenue of approximately HK$4,884 million, representing a decrease of 2.5% as compared with that for the year of 2018. Loss attributable to equity holders amounted to HK$69 million (2018: profit attributable to equity holders amounted to HK$58 million).

During the reporting period, the global economic landscape has been clouded by rising protectionism, proliferating geopolitical disputes and a protracted China-US trade war. Coupled with the prolonged social movement in Hong Kong in the second half of 2019, the Group's performance was inevitably affected. The local residential property market sales activities dropped sharply in the second half of 2019 as compared with that in the first half of 2019. Despite profit recorded for the business under the brand name "Midland Realty", poor financial performance of the business under the brand name "Hong Kong Property", which is wholly-owned by the Group, was one of the reasons for the Group's net loss.

Remarkable Sales Performance in the First Half of 2019

The China-US trade conflicts appeared to have eased in late 2018. Together with the dissipating risk of interest rate hikes in early 2019, pent-up demand in the residential market was released. The Hong Kong residential market began to make a full recovery in the first half of 2019. According to the figures from the Land Registry, the number and value of registrations for local residential properties in the first half of 2019 increased by 47.8% and 34.9%, respectively, as compared with that in the second half of 2018. According to the Midland Property Price Index, property prices of local residential properties rose by 11.2% in aggregate from January to May 2019 and reached its new all-time high.

As developers put more efforts in clearing unsold inventories in the anticipation of the implementation of the vacancy tax, primary home market performed remarkably well in the first half of 2019. However, the exceptional performance in the first half of 2019 prompted some developers to slow down the pace of new launches in the second half of 2019.

Abrupt Turn in the Second Half of 2019

Despite the vibrancy of the residential market in the first half of 2019, the overall Hong Kong market took an abrupt turn in the second half of 2019. Not only did the China-US trade disputes rekindle market concerns, Hong Kong had also fallen into a prolonged large-scale social movement for six months. Consequently, transaction value of residential properties plummeted by 28.9% in the second half of 2019 as compared with that in the first half, and home prices fell from the historic high in May 2019. The overall economic conditions in Hong Kong in the second half were dismal, which dragged down Hong Kong's GDP by 1.2%, marking its first contraction in a decade.

Outlook

Outbreak Dealt a Further Blow to Local Economy

The COVID-19 outbreak in early 2020, which spread rapidly across Asia and the globe, has been severely affecting industries such as retail and tourism and even stoking fear among investors, resulting in a global stock market meltdown. It is believed that the outbreak will hit the global economy harder than that of SARS in 2003. A considerable number of factories and offices in mainland were unable to resume operation after the Lunar New Year holidays. It would be difficult for the market to return to normal levels in the near term, the Greater Bay Area initiative will be affected.

Meanwhile, the protracted China-US trade negotiations have resulted in the signing of the phase one Economic and Trade Agreement in January 2020, but the content and signing date of the phase two agreement are yet unknown. The trade tensions might escalate again following the re-opening of negotiations. Under the triple threats of China-US trade disputes, local social movement and the COVID-19 outbreak, the economic prospect in Hong Kong is bleak. The Hong Kong Government's efforts such as discouraging visitors and gatherings will further paralyse the economy.

For the real estate agency business, despite the thriving proliferation of online property platforms, human interactions with clients are still paramount. In the beginning of the outbreak, no new project has been launched. Individual home owners have also been reluctant to lower prices, resulting in a sharp decline in the secondary market sales activities for a time.

Outbreak Impact Expected Not To Be Long Lasting – Remain Cautious of the Market

Political climate has noticeably eased since the District Council election in November. Coupled with the signing of phase one Economic and Trade Agreement between China and the US in January 2020, market sentiments have improved, prominently driving up property transactions. According to the figures from the Sales of First-hand Residential Properties Electronic Platform, the number of new homes sold in January 2020 amounted to 1,168 units, up 132% from that in December 2019. Transaction volume of the secondary market in the second half of February also increased significantly from that in the first half of the same month, indicating that the residential market sales activities have been digesting the impacts of the outbreak. Despite a 70% month-on-month drop in the new home transaction volume in February 2020, new projects were launched in March and received quite a good sale result.

While the COVID-19 outbreak has hindered the economy and the property market, as the international community has continued to strengthen measures to deal with the outbreak, the Group believes that the impact of the outbreak would not be long lasting. We also believe that the Chinese Central Government has the capacity to control and combat the virus and will launch initiatives such as the RMB25 trillion infrastructure investment to stimulate the economy which will be beneficial to the long-term development of the overall market. Moreover, the resumption of work and production in mainland and Hong Kong is in good progress, and we believe that the overall economy and the local residential property market will be slowly getting back on track after the outbreak.

On the global front, the two consecutive US interest rate cuts by 150 basis points in total are expected to help cushion the impacts of the virus on the Hong Kong economy. Of course, the violent swings of the global equities market has weakened the market sentiments in the near term, but the super low interest rate environment together with the new round of global stimulative monetary measures will strengthen the property purchasing power in a longer run. Indeed, the financial market in Hong Kong has remained intact even during the height of the social events last year. Listing and bond issuance activities of various corporations have been successful. The listing of the Alibaba Group in Hong Kong at the end of last year further highlighted the strengths of Hong Kong as an international financial centre.

Local demand for residential properties continues to be strong. We expect that after the passing of the outbreak and social events, market activities may rebound to the pre-events level. By then, impact of the relaxation of the mortgage requirement will be fully reflected.

Appreciation

I would like to express my sincere gratitude to our board members and staff for their contribution, and to take this opportunity to thank every shareholder and customer for their lasting support to the Group. We will continue to be dedicated to offering quality services, leading the Group towards a brighter future.

WONG Kin Yip, Freddie
Chairman

Hong Kong, 27 March 2020

Strategic Review and Planning

Active Cost Control Measures Safeguarded Competitiveness

In 2019, the local residential property market experienced drastic ups and downs. While property prices reached a record high in May, the overall property market was plunged into a downturn in the second half of the year by the impacts of the social movement. During the reporting period, developers focused on selling inventories, which affected the Group's results in 2019 on two fronts. Firstly, rebate incentives expenses increased as developers raised commission rate for the inventories. Secondly, the strength of "Hong Kong Property", the Group's wholly-owned subsidiary, lies in the sales of newly launched projects. Its operating performance could not benefit from the developers' sales strategy of clearing up inventories.

In view of the adverse operating environment, the Group proactively improved overall cost-efficiency in the second half of 2019 to maintain competitiveness. In addition to strategically reducing the number of branches and staff in mainland, raising the cost-effectiveness and efficiency of the Group's China division, the Group also began to proactively seek rental reduction from landlords in response to the intensification of the social tension.

Keep Abreast of the Times and Seek for Development

The unfavourable market conditions in the last six months and the unprecedented challenges posed by the epidemic have rendered it imperative for the Group to take a stringent approach in costs containment, so as to maintain a robust operation. Accordingly, the Chairman of the Board, Mr. Wong Kin Yip, Freddie, announced a voluntary reduction of 40% of his monthly remuneration and all Executive Directors have taken a voluntary pay cut for three months while the senior management has accepted a salary freeze. These are an indication of the management's determination to endure hardship together.

Despite the market slump, the Group has to keep investing in technological development and application as preparation for capturing a bigger market share when the time comes. Indeed, the number of app downloads has stayed high since the outbreak. At the same time, the Group continues to improve its strengths through proactive marketing strategies. For instance, two new indices have been launched. One is the Midland Global Property Price Index which aims at increasing the awareness of the international property market. The other is the Hong Kong Property Market Confidence Index which serves as an indicator of the market movement.

Flexible Sales Strategies to Develop a Holistic Platform

In the medium to long term, the Group needs to cope with two changes in the landscape of the primary home market. The first is the anticipated implementation of vacancy tax on first-hand residential properties, while the second is the shortage of new home supply in the near term. In view of this, the Group will spare no effort in strengthening its position in the segments of unsold primary inventories and secondary units.

During the reporting period, the Group's non-property agency business performed well, in which mReferral and Midland Immigration made positive profit contributions to the Group. The Group will continue to put in resources to develop and strengthen the customer-centric holistic platform.

The local economy took an ugly turn in 2019, in which the overall real estate agency industry also experienced a contraction. The number of agency outlets* in Hong Kong, fell below 7,000 in January 2020 for the first time since mid-2018, and a few small-scaled agency companies closed down. If the downtrend persists, the struggle for survival of the fittest will intensify, easing the competition within the industry. For the Group, that would create a conductive environment for the development of its business. Nonetheless, global business activities shrink because of the outbreak of COVID-19, resulting in an uncertain outlook. We will keep enhancing our cost-effectiveness to seize a bigger market share and solidifying our leading position.

The Group will remain dedicated to progress and will do its best to meet challenges amidst local and global instability. We will work hand in hand with our staff to fight the epidemic and support each other in this difficult time.

* Represented by the number of "Statement of Particulars of Business"

WONG Ching Yi, Angela
Deputy Chairman and Managing Director

Hong Kong, 27 March 2020

Profile of Directors

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

Executive Directors

Mr. WONG Kin Yip, Freddie

aged 70, is the Founder, Chairman and Executive Director of the Company. He is also a member of the Remuneration Committee and the Nomination Committee of the Company.

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

Mr. WONG has over 46 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 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 also a vice president of The Association of Hong Kong Professionals.

Mr. WONG has been the Chairman and Executive Director of Midland IC&I since October 2019. He is a director of Sunluck Services Limited and Southern Field Trading Limited which are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Mr. WONG is the father of Ms. WONG Ching Yi, Angela, the Deputy Chairman, Managing Director and Executive Director of the Company.

** *Midland IC&I Limited ("Midland IC&I") (the Company's associate listed on the main board of The Stock Exchange of Hong Kong Limited) and its subsidiaries (collectively, "Midland IC&I Group")*

Ms. WONG Ching Yi, Angela

aged 39, has been the Executive Director of the Company since March 2008, the Deputy Chairman of the Company since March 2011, and the Managing Director of the Company since December 2014. She had been the Deputy Managing Director of the Company from August 2011 to December 2014. She is a member of the Remuneration Committee and the Nomination Committee of the Company and the Chairman's Office.

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 and Midland IC&I Group (collectively, the "Groups"). She is also responsible for the overall management and sales operations of the Groups, and oversees other functions ranging from finance, professional services, investor relations, information technology to corporate communications. Ms. WONG plays a leading role in the Chairman's Office.

Ms. WONG has solid experience in real estate industry and has been a key contributor to the growth and development of the Groups. She has demonstrated strong leadership and has been instrumental in leading the Groups to promote their strategies and meet challenges in the increasingly competitive environment. She introduced a series of strategic initiatives, which has improved the operating efficiency as well as strengthened the market position of the Groups.

Ms. WONG is also a director of various members of the Group and a director of mReferral Corporation Limited, a joint venture company of the Group with a leading developer. She is a director and the vice president of Midland Charitable Foundation Limited. Ms. WONG has also been the Executive Director of Midland IC&I since December 2011 and was the Executive Director of Midland IC&I from June 2007 to March 2008.

Ms. WONG is a fellow member of the Hong Kong Institute of Certified Public Accountants. She graduated from The University of Hong Kong with a bachelor's degree in business administration (accounting and finance) and also holds a master's degree in business administration from Hong Kong University of Science and Technology.

Prior to joining the Groups, she worked for PricewaterhouseCoopers, an international accounting firm, for several years. Ms. WONG has been appointed as a member of the Estate Agents Authority since November 2019 and is now a member of its Professional Development Committee, Practice and Examination Committee and Disciplinary Committee. She is a member of the Standing Committee and the vice chairman of the Youth Professionals Committee of The Association of Hong Kong Professionals, a committee member of The Y.Elites Association, the Honorary Vice President of the advisory board of Business Association BEA HKUSU and a member of the Sponsorship and Development Fund Committee of The Open University of Hong Kong.

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

Mr. WONG Tsz Wa, Pierre

aged 56, has been the Managing Director and Executive Director of the Company since November 2012. He is the Chairman of the Risk Committee of the Company. He joined the Group in 1993 and has been a member of the Chairman's Office since December 2011. He is also a director of various members of the Group. Mr. Pierre WONG holds a master's degree in business administration and he is a professional member of The Royal Institution of Chartered Surveyors. He has over 31 years of experience in real estate agency business in Hong Kong.

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

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

Mr. CHEUNG Kam Shing

aged 56, has been an Executive Director of the Company since March 2011. He was the Consultant of the Group from November 2008 to March 2011. Mr. CHEUNG is responsible for the strategic development and daily operation of the Group's China division "Midland China" and Macau division "Midland Macau". He has over 34 years of solid experience in the real estate agency business. Mr. CHEUNG has served the Group for 28 years and was an Executive Director of the Company from June 1998 to November 2005. He is a director of various members of the Group.

Non-Executive Director

Mr. WONG Wing Cheung Dennis

aged 59, has been a Non-Executive Director of the Company since November 2017.

Mr. WONG is a Chartered Structural Engineer and a Chartered Building Surveyor, and holds a Bachelor Degree of Science in Civil Engineering. He is currently the director of Pruden Holdings Limited which has subsidiaries carrying on, among others, building surveying services, property valuation services, property management services and real estate agency services. Mr. WONG has extensive experience in consultancy services with the Government of the Hong Kong Special Administrative Region and various reputable organizations in the private sector in areas of building design and engineering, project management and property development planning.

Mr. WONG is an Authorised Person, a fellow member of The Hong Kong Institute of Surveyors, and a professional member of the Royal Institution of Chartered Surveyors, the Institution of Structural Engineers and the Hong Kong Institution of Engineers. He is also the Chairman of Professional Building Surveying Consultants Association of Hong Kong, a member of the Building Sub-Committee of the Land and Development Advisory Committee of the Development Bureau and a member of the Registered Inspector's Disciplinary Board Panel of the Buildings Department (with effect from 1 April 2019). He was a panel member of the Solicitors Disciplinary Tribunal Panel.

Independent Non-Executive Directors

Mr. HO Kwan Tat, Ted

aged 55, has been appointed as an Independent Non-Executive Director, the chairman of the Audit Committee and the Nomination Committee, and a member of the Remuneration Committee of the Company since June 2017.

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

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

Mr. SUN Tak Chiu

aged 56, has been an Independent Non-Executive Director of the Company since September 2004. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company.

Mr. SUN has over 33 years of experience in the fields of accounting, securities industries and corporate finance. Mr. SUN holds a bachelor's degree in law and a master's degree in business administration. He is a fellow member of the Hong Kong Institute of Certified Public Accountants as well as the Association of Chartered Certified Accountants, an associate member of the Chartered Institute of Management Accountants, and a member of the Hong Kong Securities and Investment Institute.

Mr. WONG San

aged 63, has been an Independent Non-Executive Director of the Company and a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company since September 2013. He is a professional building surveyor and holds a Master Degree of Science in International Real Estate. He is the founder of and is currently the Managing Director of Samson Wong & Associates Property Consultancy Limited. Mr. WONG has over 36 years' experience in property consultancy management, including real estate development, building survey and design, project planning & management and facility management, conversant with the Mainland and overseas real estate industry and also international joint venture development projects. He had worked for Standard Chartered Bank as their Property Administration Manager and for an international real estate consultancy firm as their CEO. Mr. WONG is an Authorised Person and is a fellow member of the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors and The Hong Kong Institute of Facility Management. In 1998, he was elected as the President of the Hong Kong Institute of Surveyors and was awarded the Distinguished Building Surveyor in 2000.

Corporate Governance Report

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

Corporate Governance Practices

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "Code") as 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 2019.

Board of Directors

(i) Board Responsibilities and Delegation

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

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

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

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

(ii) Board Composition

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

Executive Directors

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

Non-Executive Director

Mr. WONG Wing Cheung Dennis

Independent Non-Executive Directors

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

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, none of the members of the Board are related to one another.

The biographical details of the Directors are set out in the section of "Profile of Directors" on pages 12 to 15 of this Annual Report.

(iii) Chairman and Chief Executive Officer

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

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

Ms. WONG Ching Yi, Angela and Mr. WONG Tsz Wa, Pierre are the Managing Directors of the Company. The Managing Directors of the Company carry out the function of chief executive officer of the Company and their role and responsibilities are set out on page 13 of this Annual Report. The Managing Directors report directly to the Board. The senior executives of the respective strategic business units of the Group are responsible for performing and overseeing the business operation of their business units.

(iv) Board Meetings and Directors' Attendance

During the year ended 31 December 2019, the Board held five meetings to discuss and approve, inter alia, the interim and annual results and other significant issues of the Group. At least 14 days' notice of regular Board meetings is given to the Directors who are given the opportunity to include other matters in the agenda of meetings. Individual attendance records of each of the Directors at the respective meetings of the Board and Board committees and general meeting are set out on page 23 of this Annual Report.

(v) Non-Executive Directors

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

Throughout the year ended 31 December 2019 and up to the date of this Annual Report, the Board has at all times met the requirements under Rule 3.10 of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise and the requirements under Rule 3.10A of the Listing Rules relating to the appointment of the independent non-executive directors representing at least one-third of the board. The Board has received from each Independent Non-Executive Director an annual written confirmation of his independence in accordance with Rule 3.13 of the Listing Rules and considered that all the Independent Non-Executive Directors are independent.

Board of Directors (Continued)

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

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

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

(vii) Directors' Training

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

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

Board of Directors (Continued)

(vii) Directors' Training (Continued)

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

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

Board Committees

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

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

(i) Executive Committee

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

Board Committees (Continued)

(ii) Audit Committee

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

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

The principal role and responsibilities of the Audit Committee include:

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

For the year ended 31 December 2019, the Company had in place arrangement for stakeholders of the Group to raise concerns about possible improprieties in financial reporting, internal control or other matters and the whistleblowing policy.

Board Committees (Continued)

(iii) Remuneration Committee

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

The Remuneration Committee held one meeting in 2019. During the year, the Remuneration Committee reviewed and recommended the remuneration packages of the Directors to the Board for approval and reviewed the Group's overall remuneration. The principal role and responsibilities of the Remuneration Committee include reviewing and determining the remuneration packages of individual Executive Directors and senior management of the Company and recommending the remuneration of the Non-Executive Directors (including Independent Non-Executive Directors) to the Board for approval. No Director or any of his/her associate was involved in deciding his/her own remuneration.

The remuneration of the members of the senior management, being the Executive Directors, by band for the year ended 31 December 2019 is set out below:

Remuneration bands	Number of individuals
HK$2,000,001 – HK$2,500,000	1
HK$7,500,001 – HK$8,000,000	1
HK$9,000,001 – HK$9,500,000	1
HK$10,000,001 – HK$10,500,000	1

Details of Directors' emoluments and five highest paid individuals during the year are set out in note 11 to the consolidated financial statements on pages 112 to 115 of this Annual Report.

Board Committees (Continued)

(iv) Nomination Committee

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

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

The Nomination Committee held one meeting in 2019. During the year, the Nomination Committee assessed the independence of the Independent Non-Executive Directors, reviewed the structure, size and composition of the Board, made recommendation to the Board on the re-election of the retiring Directors, reviewed the board diversity policy and made recommendation to the Board for approval on renewal of terms of appointment of Directors. During the year, there was no change in the Board composition.

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

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

(v) Risk Committee

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

The Risk Committee held two meetings in 2019. 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, Audit Committee, Remuneration Committee, Nomination Committee and Risk Committee and the general meeting for the year ended 31 December 2019 are set out as follows:

	Number of Meetings Attended/Held					
Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Committee	Annual General Meeting
Executive Directors						
Mr. WONG Kin Yip, Freddie *(Chairman)*	5/5	N/A	1/1	1/1	N/A	1/1
Ms. WONG Ching Yi, Angela *(Deputy Chairman and Managing Director)*	5/5	N/A	1/1	1/1	N/A	1/1
Mr. WONG Tsz Wa, Pierre *(Managing Director)*	5/5	N/A	N/A	N/A	2/2	1/1
Mr. CHEUNG Kam Shing	5/5	N/A	N/A	N/A	N/A	1/1
Non-Executive Director						
Mr. WONG Wing Cheung Dennis	5/5	N/A	N/A	N/A	N/A	1/1
Independent Non-Executive Directors						
Mr. HO Kwan Tat, Ted	4/5	1/2	1/1	1/1	N/A	1/1
Mr. SUN Tak Chiu	5/5	2/2	1/1	1/1	N/A	1/1
Mr. WONG San	5/5	2/2	1/1	1/1	N/A	1/1

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

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 2019.

Directors' Interests

Details of Directors' interests in the shares, underlying shares and debentures of the Company and its associated corporations are set out on pages 60 to 61 in the Report of the Directors 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 2019 and of the Group's results and cash flows for the year ended 31 December 2019. In preparing the consolidated financial statements for the year ended 31 December 2019, the Directors selected suitable accounting policies and applied them consistently, and made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The reporting responsibilities of the Company's independent auditor on the consolidated financial statements of the Group for the year ended 31 December 2019 are set out in the "Independent Auditor's Report" on pages 69 to 73 of this Annual Report.

Corporate Governance Function

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

Auditor's Remuneration

For the year ended 31 December 2019, the remuneration payable or paid to the Group's independent external auditor, PricewaterhouseCoopers, in respect of audit and non-audit services provided to the Group is set out as follows:

	Fees payable or paid	
	2019	2018
	HK$'000	HK$'000
Services rendered for the Group		
Audit services	2,527	2,720
Interim results review	573	573
Other non-audit services (tax and other professional services)	373	650
Total fees	3,473	3,943

Risk Management and Internal Controls

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

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

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

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

The risks which may have significant impact to the Group were identified from internal and external environments and were managed properly. An annual review of the internal control and risk management systems of the Group for the year ended 31 December 2019 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 2019 as well as the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

Inside Information

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

Company Secretary

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

Communication with Shareholders and Investor Relations

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

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

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

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

The 2019 AGM of the Company was held on 19 June 2019. 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 2019 AGM and had effective communication with shareholders of the Company.

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

Shareholders' Rights

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

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

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

(ii) Procedures for Putting Forward Proposals at General Meeting

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

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

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

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

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

(iii) Shareholders' Enquiries

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

Corporate Social Responsibility Report

Market insights showed authority in the industry

As an authority in the industry, the Group fully utilises its strengths and closely monitors the situation of the property market. Through press conferences, in-depth interviews, feature stories, instant responses and accurate analyses, the Group has showcased its credibility by sharing unique insights, outlining trends of the property market, and offering professional and useful information to the market.


美聯黃建業：樓價將見頂回調

二手成交量料「差過沙士」

樓價高位回落5%

下半年一手交投跌40%

上半年賺9360萬


黃建業：社會紛爭令中小單位成交減半

Rewarding Midland Club members for their support with various activities

To reward members for their support, apart from upgrading membership benefits, Midland Club has also held a series of diverse activities, including “Midland Club x Maserati Prestige Driving Experience Day”, “Whiskey x Contemporary Ink Art Appreciation” and others, to enrich our members’ lives as well as assist them in building a prosperous future.

Conducting quality seminars on property education

In response to the housing demand in the market, the Group cooperated with local banks, chambers of commerce and schools to organise an array of property seminars with analyses on market trends and provide them with the latest property market and investment information, thereby fulfilling its responsibility of enhancing public financial and property literacy.

Winning JobMarket's "Asia Pacific Outstanding Employer Award" & "Employer of Choice Award" for 4 & 6 consecutive years respectively

By prioritising talent development, the Group has earned the "Asia Pacific Outstanding Employer Award" for the 4th consecutive year and "Employer of Choice Award" for the 6th consecutive year. More importantly, it has won the "Innovative Recruitment Strategy Award" for the first time. These awards conferred by JobMarket are the testaments to the Group's management philosophy of "Talent Seeking, Nurturing and Pooling".

Arranging Practical Management Training Course and its corresponding graduation ceremony for frontline managerial staff

As a people-oriented corporation, the Group appointed the Institute for Entrepreneurship of the Hong Kong Polytechnic University to conduct a "Practical Management Training Course" for its frontline supervisors, with a view to enhancing their operation and planning related knowledge through tailor-made training workshops. Upon the completion of the course, all frontline managerial staff attended the graduation ceremony and received a certificate of appreciation.

Being honoured with "Manpower Developer 1st" title for 10 consecutive years

The Group has been excelling in talent training and development with the establishment of "Midland University". In recognition of its contribution to talent cultivation and professionalism promotion, the Group has been honoured with the "Manpower Developer 1st" title for 10 consecutive years under the "ERB Manpower Developer Award Scheme".

Receiving "Partner Employer Award"

The Group is committed to helping the youth gain more working experience by proactively recruiting local student interns and graduates. With substantial contribution to education and the society, it has been awarded the "Partner Employer Award" granted by The Hong Kong General Chamber of Small and Medium Business for the 5th consecutive year.

Organising various recruitment events to provide diverse development opportunities

The Group believes that talents are invaluable assets to a corporation, and thus, it maintains close collaboration with different institutions in organising an array of job fairs, hoping to acquire talents from various disciplines and provide them with diverse opportunities to shine in their careers. In the future, the Group will continue recruiting elites and help them unleash their potentials while bringing its businesses forward.

“Elite Club” activities

Comprising top elites in the industry, “Elite Club” has organised diverse activities to boost the morale for its members, including a Vietnam trip which allowed its frontline elites to have a glance of the emerging property markets in Asia and a traditional Chaozhou tour rewarding staff and encouraging them to keep up the effort.

Environmental protection and energy conservation awards

By virtue of the Group’s commitment to environmental protection and energy conservation, not only did it receive the Wastewi$e Certificate – Excellence Level and Energywi$e Certificate – Basic Level in the “Hong Kong Green Organisation Certification” scheme held by the Environmental Campaign Committee, but it also clinched the “Joint Energy Saving Award” of the CLP Smart Energy Award 2019 and the Platinum Award of “Charter on External Lighting” by the Environment Bureau for its contribution to sustainable development.

Being awarded the “ISO 14064 – 1:2006” Greenhouse Gases Inventory Certificate

The Group was awarded the “ISO 14064-1:2006” Greenhouse Gases Inventory Certificate by the International Organization for Standardization for its effort in environmental protection through promoting carbon reduction and implementing initiatives to reduce greenhouse gases emission in the workplace.

Being honoured as "Caring Company" for 16 consecutive years

Devoting itself to charitable causes, the Group has been awarded the Caring Company Logo by The Hong Kong Council of Social Service for 16 consecutive years in recognition of its unremitting effort in fulfilling its social responsibilities and promoting the caring spirit.

"Midland, We Care" activities

Adhering to the core value of "Caring", the Group caters for every need of its employees by launching a series of "Midland, We Care" activities, including a Christmas tea party, which allowed our employees to celebrate the festival together, as well as sourcing various health products and green food for them.

Being granted "Happy Company" for the 4th consecutive year

As a people-oriented enterprise upholding the spirit of "Caring", the Group is committed to building a pleasant workplace via joint effort with our employees. In appreciation of its effort in creating a joyful working atmosphere, the Group has been recognised as a "Happy Company" and granted the "Happiness at Work" logo under the "Happiness at Work Promotional Scheme" jointly launched by Promoting Happiness Index Foundation and the Hong Kong Productivity Council for the 4th consecutive year.

Supporting “Project WeCan” for 6 years in a row

It has been 6 years since the Group first started joining “Project WeCan” and offering continuous support to its partner school, HKSKH Bishop Hall Secondary School. Apart from providing relevant training to students taking part in the “Young Innovators Bazaar”, the Group also sent representatives to attend their graduation ceremony and help prepare them for their future endeavours through experience sharing.

Participating in the “Life Buddies” Mentoring Scheme for the 2nd time

Upholding the principle of “nurturing talents with a people-oriented approach” in its cultivation of the next generation, the Group was once again invited to participate in the “Life Buddies” Mentoring Scheme organised by the Commission on Poverty, through which it broadened students’ horizons and helped them plan for their future. With a two-day workplace attachment opportunity, the students were able to step out of the campus and have a taste of how it was like to work in a corporation.

Supporting SPHC’s “Hike for Hospice” for 15 consecutive years

For 15 years in a row, the Group has supported “Hike for Hospice” held by the Society for the Promotion of Hospice Care. Combining charity with sports, members of the participating team strived for their very best in the short-distance race to give back to the society and help people in need of hospice services.

Promoting fairness by participating in the “Fair Trade Cup”

The Group has been an ardent supporter to various charitable activities. This year, it has once again sent an elite team to take part in the “Fair Trade Cup 2019”, a charity football tournament organised by Fair Trade Hong Kong so as to promote fair trade and gender equality. After several rounds of fierce competition, the Group won the 1st runner-up of the “Empowerment Bowl”.

Donating 5,000 masks to the singleton elderly

Deeply rooted in Hong Kong for many years, the Group is committed to giving back to the society. In view of the impact of new pneumonia in Hong Kong and the shortage of personal protective equipment, "Midland Charitable Foundation" donated 5,000 masks to the "Pentecostal Church of Hong Kong". To further express our solicitude, the Group recruited a team of volunteers to distribute masks into the mailboxes of singleton elders in Diamond Hill, Ngau Tau Kok and Choi Hung.

Supporting the coastal cleanup activity co-organised by Estate Agents Authority and Environmental Protection Department

The Group has been actively fulfilling its corporate social responsibility and is committed to protecting the environment. It therefore provided ardent support to "My Home Hong Kong – Estate Agents Coastal Cleanup Day" co-organised by Estate Agents Authority and Environmental Protection Department. The Group's staff put forth their best effort to clean the coastal area of Shui Hau at Lantau Island, hoping to build a clean environment together.

Being named the "Caring Enterprise" by The Lok Sin Tong Benevolent Society, Kowloon for 5 consecutive years

Over the years, the Group has been strongly supporting the charity work initiated by The Lok Sin Tong Benevolent Society, Kowloon. Through sending a volunteer team to partake in the Lok Sin Tong Flag Day 2019 and the Mid-Autumn Festival Volunteer Event, the Group not only raised fund for Lok Sin Tong, but also expressed its love and care to the elderly in need. This allowed it to once again receive the "Caring Enterprise" certificate as appreciation.

Environmental, Social and Governance Report

About this report

Reporting Standards

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

Reporting Principles

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

- **Materiality**: We conducted materiality assessment this year to identify material ESG issues in our business operation.
- **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 on 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

Unless otherwise specified, this report covers the period from 1 January 2019 to 31 December 2019. It encapsulates the ESG performance and initiatives of our residential property agency services in Hong Kong, including Midland Realty and Hong Kong Property.

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

Feedback Mechanism

We value the feedback from our stakeholders to continuously improve our ESG performance. Please feel free to share your opinion on our ESG management and performance:

- Address: Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong
- Email: esg@midland.com.hk
- Website: www.midland.com.hk

Our ESG Governance and Management

ESG Governance and 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. During the reporting year, we have formulated new policies to further integrate ESG management in our daily operations. These policies cover ESG aspects including environmental management, green procurement practice and service responsibility, reinforcing our commitment in integrating ESG factors in our business operations.

Ethical Business Operation

We strive to uphold the highest level of business ethics and strictly prohibit 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 guideline regarding the acceptance and offer of advantages. Employees are also required to provide a conflict of interest disclosure as one of our preventive measures. Detailed policies and guidance relating to anti-corruption and conflict of interest are stipulated in the Staff Handbook.

To enhance employees' awareness on anti-corruption practices, we invite representatives from Independent Commission Against Corruption (ICAC) to deliver training to our frontline staff. The training course covers topics from understanding anti-corruption laws and regulations to avoiding legal violation in our operation practices.

The Group has also 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 under this policy in an effective manner and further report to the Audit Committee. Depending on the nature and circumstance of the complaint, 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.

Our ESG Governance and Management (Continued)

Stakeholder Engagement and Materiality Assessment

The Group strives to listen to the suggestions and feedback of our stakeholders to continuously enhance the alignment between our ESG strategy with the interests of our stakeholders. During the reporting year, a diverse range of stakeholders were engaged to gain a better understanding of their expectations and concerns on the Group's ESG topics. We adopt various methods to effectively communicate with different stakeholder groups:

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	• Annual supplier review • Meetings
Customers	• Social media • Corporate website • Questionnaire
Community Partners/Non-governmental Organisations (NGOs)	• Community programme collaboration • Voluntary service
Media	• Press release

Our ESG Governance and Management (Continued)

Stakeholder Engagement and Materiality Assessment (Continued)

To effectively manage ESG issues, we need to cautiously identify and analyse relevant ESG issues to our business operations. The assessment helps to build the foundation for our ESG strategy and management approach. Through a step-by-step approach, we identified and reviewed the material ESG issues to our business operations:

1. **Identification** — We reviewed the industry trend and the ESG Reporting Guide to identify a list of potential material ESG issues for our business operations.

2. **Prioritisation** — We conducted a stakeholder questionnaire to seek opinion from our stakeholders. The questionnaire asked stakeholders to rank the importance of the identified ESG issues to our business operations.

3. **Validation** — Senior management further reviews the questionnaire result and confirms the list of material ESG issues.

4. **Review** — ESG topics are regularly reviewed to ensure their relevancy and materiality to the Group.

Based on the materiality assessment, we have identified 15 material ESG topics and their corresponding sections in this report.

List of material ESG 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 Customers

Product and Service Responsibility

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

Through leveraging technological innovations and digital applications, we continuously make use of digital platforms including online live chat, mobile applications and social media to enhance our customer's experience. Moreover, irregular mystery shopper inspections are conducted to monitor service quality and identify potential improvement areas.

We also strive to protect intellectual property rights when producing marketing materials and ensure that we have the 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's information. To safeguard our customer's data privacy, we have established the Customer Privacy and Data Protection 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.

Guided by the Customer Privacy and Data Protection 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 record form when they obtain and archive contractual document for client's service. Documents containing customer's personal information are organised and locked in designated locations to avoid information leakage. Sample checking on document storage are conducted annually to ensure compliance of the Policy.

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

Feedback Handling

We endeavour to continuously improve our customer's experience and satisfaction through communicating with them on a regular basis and listening to their concerns and feedback. To this end, the Group has a designated customer relationship team to handle customer feedback. Communication channels, including our customer hotline, email, mail and visitations, are available for feedback collection. Once the complaint is received, the customer relationship team further investigates the feedback and works with the relevant departments in a timely manner. Feasible solution is developed with further discussion and agreement with the complainants. The results and follow-up actions taken are documented accordingly.

Our Employees

Employment Policy and Labour Standards

We believe that our employees are 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 mentioned 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. 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.

The Group endeavours to meet the needs of our employees through listening to their suggestions and feedback. Various platforms and mechanisms are available to facilitate open communication between management and employees. For instance, we have organised a Central Professional Units (CPU) townhall meeting themed “Together We Grow”. We arranged a Q&A session for employees to voice out their concerns to 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 general assemblies for frontline staff and respective monthly meetings for frontline and back office staff of different ranks and positions. We also put in place internal grievance channels which is 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 year, the Group organised a variety of events and activities for our employees to strengthen employees’ sense of belonging and foster workplace collaboration. Gathering events such as annual dinner and tea gathering are held to foster communication and understanding across departments. We also encourage our employees to participate in various sports events, which can enhance their physical well-being and strengthen team spirit. For instance, our employees participated in the Standard Chartered Marathon and football matches organised by the Hong Kong Federation of Trade Unions and Fair Trade Hong Kong respectively. To further promote work-life balance, we initiate various workshops on different topics. During the reporting year, we organised a make-up workshop and several tasting workshops for our employees.

The Group commits to upholding human rights and strictly prohibits the use of child labour as stated in our guidelines for employing new hires.

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

Our Employees (Continued)

Training and Development

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

New-joiner Training	• **Frontline staff**: property agency licensing class, foundation selling skills and operation procedure • **Back office staff**: Time management, project management and office manner
Core Training	• **Understanding the Group**: corporate culture • **Management and Development**: human resources management, sales management, self-management and talent development programme • **Operating Practices**: legal and compliance, operation workflow and skills, and product knowledge • **Work and Service Skills**: selling skills, customer service skills, language and other soft skills
Specialised Training	• **Talent Development Programmes**: specific training for high-potential staff o "Elite Army" for frontline and back office staff o "PTU Plan" for frontline administrative staff and back office assistants • **Sales Talent Development Programme (MDSA)**: series of training on selling skills, presentation skills and management skills

Our Employees (Continued)

Training and Development (Continued)

Our effort in providing training to frontline staff is also externally recognised. The Group was granted the accolade of Manpower Developer 1st by the Employees Retraining Board. Meanwhile, more than 600 branches have obtained the CPD Mark for Estate Agencies by the Estate Agent Authority since its establishment in 2008.

Beside internal training programmes, we also provide subsidies for external training, professional certificates and examination for our employees to keep pace with market development and pursuing professional development courses of their choice. The certifications obtained by our frontline employees are listed on their profiles in our Agent Blog, which provides a platform to exhibit their credentials.

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

Occupational Health and Safety

The Group cares about employees' health and safety at work. We conform with 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 mentioned 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 on 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 occurrence of workplace injuries.

We place great emphasis in enhancing the indoor air quality of our branches and offices as it directly affects the health of our employees and 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 filter to reduce suspended particles from entering the ventilation systems. Moreover, we also clean and conduct regular inspection and maintenance of ventilation system equipment including fans, dust filters, ventilation ducts and air hoods.

During the reporting year, there are 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). This year, we formulated and implemented the Environmental Policy. We strive to better manage our environmental impacts and continuously incorporate 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 on the adverse impacts caused by climate change to 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 encourage our employees to replace business trips with alternative options, including telephone calls, video conference 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 ISO14064-1:2006 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 is arisen from energy consumption. As such, we initiate various improvement measures to enhance our energy efficiency and reduce energy consumption. To enhance the energy efficiency of our offices and branches, we have installed energy efficient equipment including air conditioning system and LED light bulbs and tubes. The reduction in energy consumption is estimated to be 20% – 30%. We also installed energy saving systems and timers on the equipment in all our offices and branches to switch off equipment outside operating hours. To avoid wastage of electricity, our computers are set to automatically turn off after being idle for two hours and after midnight.

As 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. The Group has supported the Charter on External Lighting of Hong Kong Environmental Bureau since 2016. We are honoured to have received “Platinum Award” for 163 branches of the Group. Our efforts were further recognised by the Hong Kong Awards for Environmental Excellence in which the Group was awarded the Energywi$e Certificate (Basic level).

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 online and digital platform, paper waste remains as 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. Frontline staff are also encouraged to proactively contact certified recyclers to collect paper waste for recycling. In recognition of our efforts, the Group was honoured to receive Wastewi$e Certificate (Excellence level).

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.

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

	Units	Performance in 2019
Energy consumption		
Total electricity consumption	kWh	9,444,478
Total petrol consumption	L	3,777
Energy intensity	GJ/employee	6.81
Greenhouse gas (GHG) emissions[1]		
Direct emissions (Scope 1)[2]	tonnes of CO_2 equivalent (tCO_2e)	9.03
Energy indirect emissions (Scope 2)[3]	tCO_2e	5,700.38
GHG emission intensity	tCO_2e/employee	1.14
Water consumption[4]		
Total water consumption	cubic meter (m^3)	5,836
Water intensity	m^3/employee	1.16
Waste management[5]		
Fluorescent tube disposed	pieces	3,070
Paper recycled	kg	16,434

Notes:

1 Greenhouse gas 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 Fourth 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 fuel consumption by private cars for business purposes. The data is externally verified in accordance with ISO14064-1:2006 standard.

3 Indirect GHG emission (Scope 2) is generated from electricity consumption by head office (externally verified in accordance with ISO14064-1:2006 standard) and branches.

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

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

Our Supply Chain

Overview of Our Supply Chain

To support our daily operations, the Group worked with over 60 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 2019, all our suppliers operate in Hong Kong.

Supplier Selection and Monitoring

We adhere to all applicable laws and regulations when procuring products and services. We also maintain a fair and reasonable procurement process to 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.

We strive to promote environmentally sound procurement practice. During the reporting year, we established Green Procurement Policy and revamped our tender document to reinforce our commitment. We adopt comprehensive supply management mechanism to ensure an appropriate management of environmental and social risks. 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.

As we strive to minimise our environmental impact in our daily operations, we procure environmentally preferable products and services 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 the 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

The Group has continuously invested considerable efforts in giving back to the communities in which we operate. We focus on promoting social inclusion and environmental protection. In collaboration with various organisations, we strive to create long-term value for our community.

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

To optimise our effort in community investment, we conduct a thorough evaluation after the completion of each community events 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 participated.

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 16 consecutive years.

Our Community (Continued)

Promoting Social Inclusion

Community Chest Walk for Millions

In January 2019, the Group took part as a sponsor and participant in the "The Community Chest 50th Anniversary Walk for Millions", an annual charity event organised by the Community Chest to raise funds for family and child welfare services. Our team of one hundred strong and enthusiastic participants took a journey along the Central-Wan Chai Bypass on foot, demonstrating their support and care to disadvantaged groups in the community.

Hike for Hospice

The Group has supported "Hike for Hospice" held by the Society for the Promotion of Hospice Care for 14 consecutive years. In joining charity with sport, our participating team did their upmost in completing the short route event to give their support to people with life-limiting illness.

Fair-Trade Cup Football Championship

The Group further advocates women empowerment and gender equality through supporting the Fair-Trade Cup Football Championship in October 2019. Funds raised were further used to help women in Pakistan through providing them with hygiene management training and sanitary products. In addition to supporting the event through donations, our employees played a mixed-gender football match with Division 1 Female football teams to promote the message of women empowerment.

Project WeCan

The Group recognises the importance of youth development as the younger generation are the leaders of tomorrow. We have provided continuous support to "Project WeCan" for the past six years, in which disadvantaged students are given opportunities to pursue their studies and future careers.

This year, we continued to partner with HKSKS Bishop Hall Secondary School to take part in the programme. We offered three training sessions for the students participating in the Young Innovators Bazaar to develop their presentation and selling skills for the event. The Deputy Chairman and Executive Director, Ms. WONG Ching Yi, Angela, also delivered a speech in their graduation ceremony to encourage students pursuing lifelong learning.

Our Community (Continued)

Promoting Social Inclusion (Continued)

"Life Buddies" Mentoring Scheme

The Group further incorporated the principle of "nurturing talents with a people-oriented approach" towards cultivating our society's future pillars. Organised by the Commission on Poverty, we participated in the "Life Buddies" Mentoring Scheme. Under the scheme, we arranged a series of activities including office and branch visit, job shadowing and mock property selling, and staff experience sharing for senior secondary students. They were not only able to gain valuable insight of the real estate agency industry, but also were motivated to plan for their future career paths.

Flag selling for The Lok Sin Tong Benevolent Society, Kowloon

Our employees spent a meaningful and fruitful day as volunteers in Lok Sin Tong Flag Day 2019. The funds raised were further used to support the medical, educational, elderly and social services of the organisation.

Mid-Autumn Festival Volunteer Event for The Lok Sin Tong Benevolent Society, Kowloon

We extend our support to the elderly and participated in the Mid-Autumn Festival Volunteer Event organised by The Lok Sin Tong Benevolent Society, Kowloon in August. Participating members spent a memorable weekend with elderly in need to express our care and warmth during the holidays.

Elderly visits with Pentecostal Church of Hong Kong

The Group collaborated with Pentecostal Church of Hong Kong to express our care to the elderly. We organised two elderly visits during Father's and Mother's Day and Mid-Autumn Festival respectively to deliver care and warmth during festive seasons.

Our volunteers played mini-games and sang songs with the elderly. They also guided the elderly to do some basic stretching and exercises so that the elderly knew how to keep themselves in shape.

Protecting the Environment

To show our support towards protecting the ocean and conserving marine biodiversity, the Group participated in "My Home Hong Kong – Estate Agents Coastal Clean up Day" co-organised by the Estate Agents Authority and the Environmental Protection Department in June 2019. Along with other participants from the estate agency trade, 100 volunteers contributed in cleaning the shoreline of Shui Hau on Lantau Island and collected 75 kg of garbage. The event not only helped remove debris from the beach, but it also raised our employees' awareness on marine pollution and further encouraged them to become better stewards towards the environment.

Our ESG Awards

Awards for Environmental Performance

Organiser	Award and Recognition
CLP Group	CLP Smart Energy Award 2019 – Joint Energy Saving Award
Hong Kong Awards for Environmental Excellence	Hong Kong Green Organisation
Hong Kong Awards for Environmental Excellence	Wastewi$e Certificate – Excellence level
Hong Kong Awards for Environmental Excellence	Energywi$e Certificate – Basic level
The Environment Bureau	Charter on External Lighting – Platinum Award

Awards for Employee Care and Social Responsibility

Organiser	Award and Recognition
Employees Retraining Board	ERB Manpower Developer Award Scheme – Manpower Developer 1st
Estate Agents Authority	CPD Mark for Estate Agencies Award Scheme
Fair Trade Hong Kong	Fair Trade Corporate Label – Bronze Label
Job Market	Employer of Choice Award 2019
Job Market	Employer of Choice Award 2019 – Innovative Recruitment Strategy Award
Job Market	Employer of Choice Award 2019 – Asia Pacific Outstanding Employer Award
Promoting Happiness Index Foundation	Happiness at Work Promotional Scheme 2019 – Happy Company
The Hong Kong Council of Social Service	Caring Company Logo
The Hong Kong General Chamber of Small and Medium Business	Partner Employer Award 2019
The Hong Kong Management Association	Distinguished Salesperson Award

Appendix: Content Index

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Report of the Directors

The Directors present their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

Principal Activities and Segment Information

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, joint ventures and associates are set out in note 39 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 31 December 2019 by operating segments is set out in note 8 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2019 are set out in the consolidated income statement on page 74 of this Annual Report.

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: Nil).

Dividend Policy

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

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

Business Review

A fair review of the business of the Group and particulars of important events affecting the Group that have occurred since the end of the financial year as well as discussion on the future business development of the Group are provided in the Chairman's Statement on pages 9 to 10, the Strategic Review and Planning on page 11 and the Management Discussion and Analysis on page 68 of this Annual Report. Description of the principal risks and uncertainties facing by the Group can be found in the Chairman's Statement on pages 9 to 10 and note 5 to the consolidated financial statements on pages 97 to 104 of this Annual Report. An analysis using financial key performance indicators can be found in the Management Discussion and Analysis on page 68 of this Annual Report. A discussion of the Group's environmental policies and performance is provided in the Environmental, Social and Governance Report on pages 34 to 50 of this Annual Report. The above sections form part of this report.

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

Business Review (Continued)

Relationships with key stakeholders

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

Employees

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

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

Customers

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

Shareholders

The Group is committed to enhancing the shareholders' value and safeguarding the shareholders' interest through sound and effective corporate governance practices and procedures. Further discussion of the corporate governance practices and procedures is set out in the Corporate Governance Report on pages 16 to 27 of this Annual Report.

Compliance with the relevant laws and regulations

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

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

On the corporate level, the Company is committed to complying with the requirements under the Listing Rules and the Securities and Futures Ordinance (the "SFO"), such as disclosure of information and corporate governance. The Company has complied with the code provisions set out in the Code throughout the year ended 31 December 2019. 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 28 and note 38 to the consolidated financial statements respectively.

Charitable Donations

During the year, the Group made charitable donations totalling HK$854,000 (2018: HK$881,000).

Property and Equipment

Details of the movements in property and equipment of the Group during the year are set out in note 17 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 19 to the consolidated financial statements. Details of the properties held for investment purposes are set out on page 147 of this Annual Report.

Share Capital

Details of the share capital of the Company during the year are set out in note 27 to the consolidated financial statements.

Pre-Emptive Rights

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

Distributable Reserves

As at 31 December 2019, the reserves of the Company available for distribution amounted to HK$578,359,000 (2018: HK$570,626,000).

Five-Year Financial Summary

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

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

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

Board of Directors

The Directors who held office during the year ended 31 December 2019 and up to the date of this Annual Report are as follows:

Executive Directors

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

Non-Executive Director

Mr. WONG Wing Cheung Dennis

Independent Non-Executive Directors

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

In accordance with bye-law 87 of the Company's bye-laws, Mr. CHEUNG Kam Shing, Mr. WONG Wing Cheung Dennis and Mr. HO Kwan Tat, Ted shall retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, shall offer themselves for re-election.

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

Directors' Service Contracts

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

Directors' Interests in Transactions, Arrangements and Contracts of Significance

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

Permitted Indemnity Provision

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

Equity-linked Agreements

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

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

Share Option Schemes

2002 Share Option Scheme

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

(a) Purpose

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

(b) Eligible persons

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

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

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

(c) Total number of shares available for issue

The total number of shares available for issue for all outstanding options under the 2002 Share Option Scheme is 3,604,580 shares, representing approximately 0.5% of the issued shares of the Company as at the date of this Annual Report. Since the 2002 Share Option Scheme had expired on 29 April 2012, no more option had been granted from that date.

(d) Maximum entitlement of each eligible person

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

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

Share Option Schemes (Continued)

2002 Share Option Scheme (Continued)

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

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

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

(f) Time of exercise of option

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

(g) Acceptance of offer

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

(h) Basis of determining the exercise price

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

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

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

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

(i) Remaining life of the 2002 Share Option Scheme

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

The terms of the 2002 Share Option Scheme for those outstanding share options already granted under the 2002 Share Option Scheme remain in force.

Share Option Schemes (Continued)

2016 Share Option Scheme

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

(a) Purpose

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

(b) Participants

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

(c) Total number of shares available for issue

The total number of shares available for issue under the 2016 Share Option Scheme is 35,902,300 shares, representing approximately 5% of the issued shares of the Company as at the date of this Annual Report.

(d) Maximum entitlement of each participant

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

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

Share Option Schemes (Continued)

2016 Share Option Scheme (Continued)

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

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

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

(f) Time of exercise of option

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

(g) Acceptance of offer

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

(h) Basis of determining the exercise price

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

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

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

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

(i) Remaining life of the 2016 Share Option Scheme

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

Share Option Schemes (Continued)

Movements in Share Options of the Company

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

			Number of share options						
Name	Date of grant *(Note 1)*	Exercise price per share HK$	Balance outstanding as at 1 January 2019	Granted during the year	Lapsed during the year	Cancelled during the year	Exercised during the year	Balance outstanding as at 31 December 2019	Exercisable period
Directors									
Mr. WONG Kin Yip, Freddie	21 July 2011	4.29	3,604,580	–	(3,604,580)	–	–	–	1 August 2011 to 31 July 2019
	21 July 2011	4.29	3,604,580	–	–	–	–	3,604,580	1 January 2012 to 31 December 2019
Ms. WONG Ching Yi, Angela	27 October 2011	3.81	3,604,580	–	–	–	–	3,604,580	1 January 2012 to 31 December 2019
	27 October 2011	3.81	3,604,580	–	–	–	–	3,604,580	1 October 2013 to 30 September 2021
Mr. SUN Tak Chiu	21 July 2011	4.29	150,000	–	(150,000)	–	–	–	1 August 2011 to 31 July 2019
Total			14,568,320	–	(3,754,580)	–	–	10,813,740	

Notes:

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

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

3. Subsequent to the financial year, 3,604,580 share options of the Company and 3,604,580 share options of the Company under the 2002 Share Option Scheme granted to Mr. WONG Kin Yip, Freddie and Ms. WONG Ching Yi, Angela, respectively, were lapsed on 1 January 2020.

4. Subsequent to the financial year, 4,587,150 share options of the Company and 4,587,150 share options of the Company under the 2016 Share Option Scheme were granted to Mr. WONG Kin Yip, Freddie and Ms. WONG Ching Yi, Angela, respectively, on 17 January 2020. Details of the said grant of share options are set out in the Company's announcement dated 17 January 2020.

Information on the accounting policy for share options granted under the share option schemes of the Company is provided in note 4(r)(iii) to the consolidated financial statements.

Save as disclosed above, no share options of the Company were granted, exercised, cancelled or lapsed under the 2002 Share Option Scheme and the 2016 Share Option Scheme during the year.

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

As at 31 December 2019, 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	Personal interest/ Beneficial owner	Corporate interest/ Interest of controlled corporations	Personal interest/ Beneficial owner *(Note 1)*	Total	Approximate percentage of the issued voting shares of the Company
Mr. WONG Kin Yip, Freddie	24,490,000	227,337,824 *(Note 2)*	3,604,580	255,432,404	35.57%
Ms. WONG Ching Yi, Angela	–	–	7,209,160	7,209,160	1.00%

Notes:

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

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

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 associated corporations of the Company

		Number of ordinary shares			Number of underlying shares			
Name of associated corporations	Name of Directors	Personal interest/ Beneficial owner	Corporate interest/ Interest of controlled corporations	Family interest/ Interest of spouse	Personal interest/ Beneficial owner	Corporate interest/ Interest of controlled corporations	Total	Approximate percentage of the issued voting shares of associated corporation
Midland IC&I	Mr. WONG Kin Yip, Freddie	12,245,000	1,126,429,677 *(Note 3)*	–	–	434,782,608 *(Note 4)*	1,573,457,285	87.16%
Midland IC&I	Mr. WONG Tsz Wa, Pierre	200,000	–	132,000 *(Note 5)*	–	–	332,000	0.02%
Powerful Surge Group Limited	Ms. WONG Ching Yi, Angela	5	–	–	–	–	5	5%
Powerful Surge Group Limited	Mr. WONG Tsz Wa, Pierre	5	–	–	–	–	5	5%

Notes:

3. 80,670,072 shares of Midland IC&I were held by Sunluck Services Limited which was indirectly wholly owned by Mr. WONG Kin Yip, Freddie through his wholly-owned company, namely Southern Field Trading Limited and 434,782,608 shares of Midland IC&I 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. Mr. WONG Kin Yip, Freddie was also deemed to be interested in the 610,976,997 shares in Midland IC&I indirectly held by the Company.

4. Such interests in underlying shares (being physically settled unlisted derivatives) represent 434,782,608 shares of Midland IC&I to be issued to Wealth Builder upon exercise in full of the conversion right attached to the convertible note due 2021 in the principal amount of HK$200 million at the conversion price of HK$0.46 per share issued by Midland IC&I pursuant to an acquisition agreement dated 10 January 2017.

5. These shares represent the shares of Midland IC&I held by the spouse of Mr. WONG Tsz Wa, Pierre as beneficial owner.

Save as disclosed above, as at 31 December 2019, 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 2019, the interests and short positions of the substantial shareholders and other persons, other than the Directors or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of substantial shareholders	Number of ordinary shares/ underlying shares	Holding capacity/ Nature of interest	Approximate percentage of the issued voting shares of the Company
Ms. TANG Mei Lai, Metty *(Note 1)*	255,432,404 (L)	Interest of spouse/Family interest	35.57%
Southern Field Trading Limited *(Note 2)*	227,337,824 (L)	Interest of controlled corporation/ Corporate interest	31.66%
Sunluck Services Limited *(Note 2)*	227,337,824 (L)	Beneficial owner/Beneficial interest	31.66%
Sun Life Financial, Inc. *(Note 3)*	86,248,100 (L)	Interest of controlled corporations/ Corporate interest	12.01%
Sun Life of Canada (U.S.) Financial Services Holdings, Inc. *(Note 3)*	86,248,100 (L)	Interest of controlled corporations/ Corporate interest	12.01%
Massachusetts Financial Services Company *(Note 3)*	80,266,100 (L) 5,982,000 (L)	Investment manager/Other interest Interest of controlled corporations/ Corporate interest	11.18% 0.83%
Edgbaston Investment Partners LLP *(Note 4)*	59,864,000 (L)	Investment manager/Other interest	8.34%
Edgbaston Asian Equity Trust *(Note 4)*	43,460,000 (L)	Beneficial owner/Beneficial interest	6.05%
Hosking Partners LLP *(Note 4)*	36,535,129 (L)	Investment manager/Other interest	5.09%

Remark: (L) – Long Position

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

Notes:

1. Such interests comprise (i) 251,827,824 ordinary shares held directly and indirectly by Mr. WONG Kin Yip, Freddie, the spouse of Ms. TANG Mei Lai, Metty; and (ii) 3,604,580 underlying shares (being physically settled unlisted derivatives) held by Mr. WONG Kin Yip, Freddie by virtue of the interests in the share options of the Company granted to him, as disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Schemes" in this Annual Report. Accordingly, Ms. TANG Mei Lai, Metty was deemed to be interested in the same block of ordinary shares and underlying shares of the Company in which Mr. WONG Kin Yip, Freddie was interested/deemed to be interested.

   On 1 January 2020, 3,604,580 share options of the Company granted to Mr. WONG Kin Yip, Freddie lapsed. In addition, on 17 January 2020, 4,587,150 share options of the Company were granted to Mr. WONG Kin Yip, Freddie.

2. The two references to 227,337,824 ordinary shares relate to the same block of ordinary shares of the Company deemed to be interested by Mr. WONG Kin Yip, Freddie as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this Annual Report. Southern Field Trading Limited was deemed to be interested in such ordinary shares of the Company held by Sunluck Services Limited.

3. Details of the interest in long position of the 86,248,100 ordinary shares in which Sun Life Financial, Inc. ("SLF") was deemed to be interested were as follows:

   Massachusetts Financial Services Company ("MFS") was interested in (through itself and its 100% controlled corporations) an aggregate of 86,248,100 ordinary shares. MFS was a 94.68% owned subsidiary of Sun Life of Canada (U.S.) Financial Services Holdings, Inc. ("SLCFS") which was a 99.91% owned subsidiary of Sun Life Financial (U.S.) Investments LLC ("SLF(US)I"). SLF(US)I was an indirect wholly-owned subsidiary of SLF.

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

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

Save as disclosed above, as at 31 December 2019, no other substantial shareholders or persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Management Contracts

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

Major Customers and Suppliers

Sales to the Group's five largest customers accounted for less than 30% of the total revenues of the Group during the year ended 31 December 2019. The Group had no major suppliers due to the nature of the principal activities of the Group.

Related Party Transactions

The significant related party transactions entered into by the Group during the year set out in note 36 to the consolidated financial statements included transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Listing Rules have been complied with.

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) Continuing Connected Transactions (Disclosed by the Company's announcement dated 23 October 2019)

A tenancy and licence framework agreement was made on 23 October 2019 between the Company and Mr. WONG Kin Yip, Freddie, the Chairman, Executive Director and substantial shareholder of the Company, in relation to the existing and/or future letting and licensing of the property(ies) in Hong Kong legally and beneficially owned by members of the landlord entities (being Mr. WONG Kin Yip, Freddie and his associates but excluding the Group and, for the avoidance of doubt, Midland IC&I Limited and its subsidiaries, as landlords) to members of the Group (as tenants and/or licensees) for a period of 3 years commencing from 19 September 2019 to 18 September 2022 (both days inclusive). The properties leased/licensed are and will be used as branches for the real estate agency business of the Group, offices of the Group, car parks for staff of the Group, marketing and promotion of the real estate agency business of the Group, etc. The annual caps for the period from 19 September 2019 to 31 December 2019, the two years ending 31 December 2020 and 2021 and the period from 1 January 2022 to 18 September 2022 are HK$3,500,000, HK$6,300,000, HK$6,900,000 and HK$7,600,000. The total value of right-of-use assets relating to the tenancy agreements/licence agreements entered into by the Group during the period from 19 September 2019 to 31 December 2019 was approximately HK$3,142,000, which had not exceeded the annual cap for the said period.

(B) Continuing Connected Transactions (Disclosed by the Company's announcement dated 23 October 2017)

1. A tenancy agreement was made on 23 October 2017 between Union Honor Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Gold Sphere Limited ("Gold Sphere"), a company directly wholly owned by Mr. WONG Kin Yip, Freddie, as landlord whereby the landlord agreed to let the premises located at Flat E on the Ground Floor of Sun Luen Building, Nos. 29, 29A, 29B, 31, 31A and 31B Bonham Road, Hong Kong as a branch for the real estate agency business of the Group for a term of two years commencing from 1 November 2017 to 31 October 2019 at a monthly rental of HK$51,000 without rent-free period and with the tenant having an option to renew the tenancy for a further term of two years at the prevailing market rent.

2. A licence agreement was made on 23 October 2017 between Great Century (H.K.) Limited, an indirect wholly-owned subsidiary of the Company, as licensee and Moral Winner Investment Limited, a company indirectly wholly owned by Mr. WONG Kin Yip, Freddie, as licensor whereby a licence was granted to install and display signage at the designated space of the external wall facing Argyle Street of the building known as "No. 33 Argyle" at Nos. 611–617 Shanghai Street and No. 33 Argyle Street, Kowloon for marketing and promotion of the real estate agency business of the Group for a term of two years commencing from 1 November 2017 to 31 October 2019 at a monthly licence fee of HK$109,000.

3. A tenancy agreement was made on 30 March 2017 between Hong Kong Property Leasing (XXII) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Shining Era Limited ("Shining Era"), a company directly wholly owned by Mr. WONG Kin Yip, Freddie, as landlord whereby the landlord agreed to let the premises located at Unit No. 5 on the 7th Floor of Tower II of South Seas Centre, No. 75 Mody Road, Kowloon as office of the Group for a term of two years commencing from 1 April 2017 to 31 March 2019 at a monthly rental of HK$52,000 without rent-free period and option to renew.

4. A licence agreement was made on 30 March 2017 between Hong Kong Property Leasing (XXII) Limited, an indirect wholly-owned subsidiary of the Company, as licensee and Shining Era, a company directly wholly owned by Mr. WONG Kin Yip, Freddie, as licensor whereby a licence was granted to use Car Parking Spaces Nos. P18 and P19 on the Basement Floor of South Seas Centre, No. 75 Mody Road, Kowloon as car parks for staff of the Group for a term of two years commencing from 1 April 2017 to 31 March 2019 at a monthly licence fee of HK$6,000.

Continuing Connected Transactions (Continued)

(B) Continuing Connected Transactions (Disclosed by the Company's announcement dated 23 October 2017) (Continued)

5. A tenancy agreement was made on 4 January 2017 between Midland Leasing (XXIV) Limited, an indirect wholly-owned subsidiary of the Company, as tenant and Gold Sphere, a company directly wholly owned by Mr. WONG Kin Yip, Freddie, as landlord whereby the landlord agreed to let the premises located at Flat D on the Ground Floor of Sun Luen Building, Nos. 29, 29A, 29B, 31, 31A and 31B Bonham Road, Hong Kong as a branch for the real estate agency business of the Group for a term of two years commencing from 10 January 2017 to 9 January 2019 at a monthly rental of HK$54,000 without rent-free period and option to renew.

(C) Continuing Connected Transactions (Disclosed by the Company's announcement dated 27 April 2016)

A tenancy agreement was made on 17 March 2016 between 美聯物業代理(深圳)有限公司 (Midland Realty Agency (Shenzhen) Co. Ltd.*), an indirect wholly-owned subsidiary of the Company, as tenant and Ms. WONG Ching Yi, Angela, Deputy Chairman, Managing Director and Executive Director of the Company and daughter of Mr. WONG Kin Yip, Freddie, as landlord whereby the landlord agreed to let the premises located at Part 2 of Shop 107B, Floors 1#, 2#, City of Poly, Chuang Ye Road North, Nanyou Road East, Nanshan District, Shenzhen, the People's Republic of China (中華人民共和國深圳市南山區南油大道東、創業路北保利城花園1#、2#樓商舖107B之二) as a branch for the real estate agency business of the Group for a term of three years commencing from 18 March 2016 to 17 March 2019 at a rental of RMB24,000 (equivalent to HK$28,800) per month from 7 April 2016 to 6 March 2017; RMB24,774.19 (equivalent to approximately HK$29,729) from 7 March 2017 to 6 April 2017; RMB25,200 (equivalent to HK$30,240) per month from 7 April 2017 to 6 March 2018; RMB26,012.91 (equivalent to approximately HK$31,215) from 7 March 2018 to 6 April 2018; RMB26,460 (equivalent to HK$31,752) per month from 7 April 2018 to 6 March 2019; RMB9,389.03 (equivalent to approximately HK$11,267) from 7 March 2019 to 17 March 2019 with rent-free period from 18 March 2016 to 6 April 2016 and with the tenant having an option to renew the tenancy by making the request one month before the date of expiration of the term. The tenant has the priority to lease the premises under the same terms.

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

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

ii. on normal commercial terms or better; and

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

The Company's auditor was engaged to report on the above continuing connected transactions of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information", and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified report containing its findings and conclusions in respect of the continuing connected transactions disclosed on pages 64 to 65 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.

* *For identification purpose only*

Retirement Scheme

Details of the Group's retirement scheme are set out in note 10 to the consolidated financial statements.

Principal Subsidiaries, Joint Ventures and Associates

Details of the Company's principal subsidiaries, joint ventures and associates as at 31 December 2019 are set out in note 39 to the consolidated financial statements.

Borrowings

Particulars of borrowings of the Group as at 31 December 2019 are set out in note 31 to the consolidated financial statements.

Emolument Policy

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

Directors' Interest in Competing Business

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

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

Mr. WONG Wing Cheung Dennis had interests and/or held directorship in Pruden Holdings Limited and certain of its group companies, which engaged in the businesses of property valuation, property management and real estate agency as the Group.

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

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

Sufficiency of Public Float

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

Auditor

The consolidated financial statements of the Group for the year ended 31 December 2019 have been audited by PricewaterhouseCoopers, auditor of the Company, who shall retire and, being eligible, will offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board
Midland Holdings Limited

WONG Kin Yip, Freddie
Chairman
Hong Kong, 27 March 2020

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity and financial resources

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

As at 31 December 2019, the Group had cash and bank balances of HK$1,151,688,000 (2018: HK$942,290,000).

As at 31 December 2019, the interest-bearing bank borrowings of the Group amounted to HK$489,000,000 (2018: HK$255,500,000) and with maturity profile set out as follows:

	2019 HK$'000	2018 HK$'000
Repayable within 1 year	489,000	255,500

As at 31 December 2019, the gearing ratio, which is calculated on the basis of total borrowings over the total equity of the Group, was 36.9% (2018: 17.5%). The liquidity ratio, which represents a ratio of current assets over current liabilities, to reflect the adequacy of the financial resources, was 1.1 (2018: 1.2). The return on equity, which is the ratio of (loss)/profit for the year over the total equity of the Group, was –5.20% (2018: 3.99%).

As at 31 December 2019, the Group has unutilised borrowing facilities amounting to HK$2,201,556,000 (2018: HK$2,436,318,000) from various banks. The borrowing facilities were granted to the Group on a floating rate basis. The Directors will continue to adopt an appropriate financial policy so as to sustain an optimal level of borrowings to meet the Group's funding requirements.

As at 31 December 2019, certain land and buildings and investment properties held by the Group of HK$58,465,000 (2018: HK$59,572,000) and HK$61,353,000 (2018: HK$74,796,000) were pledged to secure banking facilities granted to the Group. Borrowing facilities granted to the Group were also secured, inter alia, by floating charge over certain receivables of the Group with carrying value of approximately HK$1,917,269,000 (2018: HK$2,326,024,000).

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

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

Contingent liabilities

As at 31 December 2019, the Company executed corporate guarantee of HK$2,752,556,000 (2018: HK$2,753,818,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 31 December 2019, banking facilities of HK$528,899,000 were utilised by the subsidiaries (2018: HK$296,977,000).

EMPLOYEE INFORMATION

As at 31 December 2019, the Group employed 6,726 full time employees (2018: 6,563) of which 5,607 were sales agents, 612 were back office supportive employees and 507 were frontline supportive employees.

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

Independent Auditor's Report

羅兵咸永道

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

Opinion

What we have audited

The consolidated financial statements of Midland Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 74 to 144, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- 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 a summary of significant accounting policies.

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 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for property agency fees	
Refer to notes 4(t) and 6(a) to the consolidated financial statements for the directors' disclosures of the related accounting policies, judgements and estimates. For the year ended 31 December 2019, property agency fees amounted to approximately HK$4,863.7 million, representing 99.6% of the revenues reported by the Group. The entitlement to agency fee income includes an element of consideration that is variable or contingent on the outcome of future events. Actual agency fee income to be received is dependent upon, among others, the completion of transaction between buyers and sellers, price concession based on customary industry practice and payment plans chosen by the buyers. Management estimated the amount of property agency fee income to the extent that it is highly probable taking into consideration of the historical recoverable rates and the risk of fallen through and price concession of individual transactions, that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. We focused on this area because management has made significant and subjective judgements and estimations on the amounts of property agency fees to be recognised.	We understood, evaluated and tested the design and operating effectiveness of the key management controls, including the relevant information technology systems, over revenue recognition for property agency fees. We determined that we could rely on these controls for the purpose of our audit. We tested the underlying data, on a sample basis, for the calculation of the historical recoverable rates. We tested, on a sample basis, the variable consideration recognised based on the terms set out in the contracts, the completion status of the transaction and other relevant factors. We also made reference to the general market conditions and management's knowledge about individual contracted parties in evaluating the estimation of variable consideration. We consider the judgements and estimations made by management are supportable by the evidence obtained and procedures performed.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables	
Refer to notes 4(i), 5(a)(i) and 6(b) to the consolidated financial statements for the directors' disclosures of the related accounting policies, judgements and estimates. As at 31 December 2019, the Group had gross trade receivables of approximately HK$2,242.5 million of which a provision for impairment of approximately HK$96.9 million was recognised. The Group applied the HKFRS 9 simplified approach to measure lifetime expected credit losses ("ECLs") allowance for all trade receivables. Management identified trade receivables with impairment indicators with reference to their knowledge about the customers, the completion status of related property transactions and the market conditions, and made impairment provision for these trade receivables accordingly. Management grouped the remaining trade receivables with similar credit risk characteristics and ageing profile, and estimated ECLs rates based on historical credit loss rates for different groups and adjusted to reflect the current and forward-looking information on macroeconomic factors that are considered relevant to determine the ability of customers to settle the receivables in the future. Management also assessed the sufficiency of the ECLs estimation by considering the subsequent settlement status. We focused on this area because the estimation of ECLs involved a significant level of judgement by management to determine the use of internal and external data from various sources to establish the historical credit loss experience and to adjust this experience for expected future changes, recognising that these factors are all subject to a certain level of uncertainty.	Our procedures on management's assessment of the impairment of trade receivables included: • Understood, evaluated and validated the key controls performed by management over the impairment assessment process, in particular those over the identification of impaired receivables and the calculation of provisions according to the lifetime ECLs model. • Understood the status of each of the material trade receivables past due as at year end, information about contracted parties and subsequent settlements, if any, through discussion with management. • Tested, on a sample basis, the impairment provision recognised based on the completion status of the transactions, general market conditions and management's knowledge about individual contracted parties. • Performed testing, on a sample basis, of the accuracy of the trade receivables ageing report. • Evaluated management's assessment of the historical credit loss rates by sample checking inputs in respect of the assumptions made, such as historical payment records, correspondence on any disputes or claims with the customers and subsequent settlement records. • Checked the computation of the amount of provision and evaluated the expected future changes in credit risks in management's assessment by sample checking the inputs to the assumptions to external data sources. Based on the results of the procedures performed, we found management's judgement and assumptions applied in respect of the impairment of trade receivables to be supported by available evidence.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2020

Consolidated Income Statement

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenues	7	4,883,503	5,010,221
Other income, net	9	2,452	5,882
Staff costs	10	(2,457,041)	(2,596,653)
Rebate incentives		(1,360,777)	(1,235,698)
Advertising and promotion expenses		(62,793)	(52,355)
Operating lease charges in respect of office and shop premises		(63,345)	(706,914)
Amortisation of right-of-use assets (lease)		(648,029)	–
Depreciation of property and equipment		(55,808)	(55,346)
Net impairment loss on financial assets		(13,423)	(47,706)
Other operating costs		(268,990)	(270,874)
Operating (loss)/profit	12	(44,251)	50,557
Finance income	13	631	546
Interest on bank loans and overdrafts	13	(13,331)	(16,711)
Interest on lease liabilities	13	(27,586)	–
Share of results of joint ventures	21	27,712	27,849
Share of results of associates	22	(6,601)	16,295
(Loss)/profit before taxation		(63,426)	78,536
Taxation	14	(5,498)	(20,402)
(Loss)/profit for the year attributable to equity holders		(68,924)	58,134
Dividends	15	–	22,977
		HK cents	HK cents
(Loss)/earnings per share	16		
Basic		(9.60)	8.10
Diluted		(9.60)	7.95

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
(Loss)/profit for the year attributable to equity holders	(68,924)	58,134
Other comprehensive income		
Item that will not be reclassified to profit or loss		
Fair value gains on financial assets at fair value through other comprehensive income	108	1,156
Item that may be reclassified to profit or loss		
Currency translation differences	405	1,435
Other comprehensive income for the year, net of tax	513	2,591
Total comprehensive (loss)/income for the year attributable to equity holders, net of tax	(68,411)	60,725

Consolidated Balance Sheet

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property and equipment	17	144,469	136,518
Right-of-use assets	18	690,803	–
Investment properties	19	77,687	91,160
Land use rights	20	–	1,072
Interests in joint ventures	21	45,821	45,637
Interests in associates	22	368,339	376,650
Financial assets at fair value through other comprehensive income	23	4,800	5,635
Deferred tax assets	29	21,227	17,093
Loan receivables	24	2,698	4,425
		1,355,844	678,190
Current assets			
Trade and other receivables	25	2,514,757	2,907,556
Taxation recoverable		29,204	27,102
Loan receivables	24	115,323	38,758
Short-term bank deposits	26	2,260	4,584
Cash and cash equivalents	26	1,149,428	937,706
		3,810,972	3,915,706
Total assets		5,166,816	4,593,896
EQUITY AND LIABILITIES			
Equity holders			
Share capital	27	71,805	71,805
Share premium	27	223,505	223,505
Reserves	28	1,029,324	1,160,788
Total equity		1,324,634	1,456,098
Non-current liabilities			
Deferred tax liabilities	29	6,021	3,980
Lease liabilities	18	241,586	–
		247,607	3,980
Current liabilities			
Trade and other payables	30	2,584,713	2,874,810
Borrowings	31	489,000	255,500
Lease liabilities	18	517,078	–
Taxation payable		3,784	3,508
		3,594,575	3,133,818
Total liabilities		3,842,182	3,137,798
Total equity and liabilities		5,166,816	4,593,896

The consolidated financial statements on pages 74 to 144 were approved by the Board of Directors on 27 March 2020 and were signed on its behalf.

WONG Ching Yi, Angela
Director

WONG Tsz Wa, Pierre
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital HK$'000	Share premium HK$'000	Reserves HK$'000 (note 28)	Total HK$'000
At 1 January 2019	71,805	223,505	1,160,788	1,456,098
Impact on initial application of HKFRS 16 (note 3)	–	–	(63,053)	(63,053)
Restated balance at 1 January 2019	71,805	223,505	1,097,735	1,393,045
Comprehensive loss				
Loss for the year	–	–	(68,924)	(68,924)
Other comprehensive income				
Fair value gains on financial assets at fair value through other comprehensive income	–	–	108	108
Currency translation differences	–	–	405	405
Total comprehensive loss	–	–	(68,411)	(68,411)
At 31 December 2019	71,805	223,505	1,029,324	1,324,634
At 1 January 2018	71,805	223,505	1,158,942	1,454,252
Comprehensive income				
Profit for the year	–	–	58,134	58,134
Other comprehensive income				
Fair value gains on financial assets at fair value through other comprehensive income	–	–	1,156	1,156
Currency translation differences	–	–	1,435	1,435
Total comprehensive income	–	–	60,725	60,725
Transactions with owners				
2017 final dividend paid	–	–	(35,902)	(35,902)
2018 interim dividend paid (note 15)	–	–	(22,977)	(22,977)
	–	–	(58,879)	(58,879)
At 31 December 2018	71,805	223,505	1,160,788	1,456,098

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Cash flows from operating activities			
Net cash generated from operations	32	697,955	88,207
Hong Kong profits tax paid		(8,741)	(97,879)
Overseas taxation paid		(676)	(551)
Bank loan and overdrafts interest paid		(13,331)	(16,711)
Interest element of lease payments		(27,586)	–
Net cash generated from/(used in) operating activities		647,621	(26,934)
Cash flows from investing activities			
Purchase of property and equipment	17	(64,437)	(53,807)
Proceeds from disposal of an investment property		10,650	–
Return of capital from financial assets at fair value through other comprehensive income		943	2,549
Decrease/(increase) in bank deposits with maturities over three months from date of deposits		2,324	(4,584)
Bank interest received		631	546
Dividend received from a joint venture		27,528	31,466
Net cash used in investing activities		(22,361)	(23,830)
Cash flows from financing activities			
Principal element of lease payments		(644,557)	–
Repayment of bank loans		(5,201,200)	(5,337,800)
Proceeds from bank loans		5,434,700	5,233,400
Dividends paid to equity holders		–	(58,879)
Net cash used in financing activities		(411,057)	(163,279)
Net increase/(decrease) in cash and cash equivalents		214,203	(214,043)
Cash and cash equivalents at 1 January		937,706	1,158,645
Exchange differences		(2,481)	(6,896)
Cash and cash equivalents at 31 December	26	1,149,428	937,706

Notes to the Consolidated Financial Statements

1 General information

Midland Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda and listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its head office and principal place of business in Hong Kong is Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong.

The principal activities of the Company and its subsidiaries (together, the "Group") are the provision of property agency services in Hong Kong, the People's Republic of China (the "PRC") and Macau, property leasing, immigration consultancy services and money lending services.

These consolidated financial statements have been approved by the board of directors on 27 March 2020.

2 Basis of preparation

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 6 below.

(a) New standards, interpretation and amendments effective in 2019

HKFRS 16 "Leases" is mandatory for the financial year beginning 1 January 2019 and the impacts of the adoption of this new HKFRS is disclosed in note 3.

The adoption of other new or revised standards, interpretations and amendments does not have a material impact to 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 amended standards and interpretations that have been issued but not yet effective. The adoption of these new or amended standards and interpretations is not expected to have a material impact on the results of the Group.

3 Changes in accounting policies upon adoption of new HKFRS

This note discloses the new accounting policies of HKFRS 16 "Leases" that have been applied from 1 January 2019 and explains the impact of the adoption on the Group's consolidated financial statements.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative impact of the adoption as an adjustment to the retained earnings as of 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17 "Leases". The new accounting policies are disclosed in note 4(u).

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rates as of 1 January 2019. The weighted average incremental borrowing rates applied to the lease liabilities in relation to leases in Hong Kong, the PRC and Macau on 1 January 2019 were 3.7%, 5.4% and 3.7% respectively. The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, but discounted using the lessee's incremental borrowing rates as of 1 January 2019. The recognised right-of-use assets of the Group mainly relate to property leases.

The differences between the operating lease commitments discounted using the lessee's incremental borrowing rates and the total lease liabilities recognised in the consolidated balance sheet at the date of initial application of HKFRS 16 comprised the exclusion of short-term leases recognised on a straight-line basis as expenses, and different treatments on lease contracts in relation to termination options or obligations, or under renewal process.

Land use rights previously presented as a separate item on the consolidated balance sheet is grouped as part of right-of-use assets with effect from 1 January 2019.

3 Changes in accounting policies upon adoption of new HKFRS (Continued)

(a) Adjustments recognised on adoption of HKFRS 16 (Continued)

The following table shows the impact on each individual line item. Line items that were not affected by the changes have not been included.

Consolidated balance sheet (extract)

	As at 31 December 2018 *As originally presented* HK$'000	Impact on initial adoption of HKFRS 16 HK$'000	As at 1 January 2019 *As restated* HK$'000
Non-current assets			
Right-of-use assets	–	738,987	738,987
Land use rights	1,072	(1,072)	–
Interests in associates	376,650	(1,710)	374,940
Non-current liabilities			
Lease liabilities	–	271,657	271,657
Current liabilities			
Lease liabilities	–	527,601	527,601
Equity			
Retained earnings	1,090,344	(63,053)	1,027,291

(b) Impact on segment disclosure

Segment assets and segment liabilities as at 31 December 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

	Right-of-use assets included in segment assets HK$'000	Lease liabilities included in segment liabilities HK$'000
Property agency – Residential properties	684,979	751,967
Property agency – Commercial and industrial properties and shops	5,824	6,697
	690,803	758,664

3 Changes in accounting policies upon adoption of new HKFRS (Continued)

(c) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- accounting for operating leases with a remaining lease term of less than twelve months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 "Determining whether an Arrangement contains a Lease".

4 Summary of significant accounting policies

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

(a) Consolidation

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

(i) Subsidiaries

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

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

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

4 Summary of significant accounting policies (Continued)

(a) Consolidation (Continued)

(i) Subsidiaries (Continued)

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

(ii) Separate financial statements

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

(iii) Joint ventures

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

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

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

4 Summary of significant accounting policies (Continued)

(a) Consolidation (Continued)

(iv) Associates

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

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of associates" in the consolidated income statement.

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

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

(b) Segment reporting

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

4 Summary of significant accounting policies (Continued)

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

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

4 Summary of significant accounting policies (Continued)

(d) Property and equipment

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

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

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

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

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

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

(e) Investment properties

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

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

4 Summary of significant accounting policies (Continued)

(e) Investment properties (Continued)

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

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

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

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

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

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

4 Summary of significant accounting policies (Continued)

(g) Investments and other financial assets

(i) Classification

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

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

– those to be measured at amortised cost.

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

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

4 Summary of significant accounting policies (Continued)

(g) Investments and other financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments

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

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

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

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

(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.

4 Summary of significant accounting policies (Continued)

(i) Impairment of financial assets

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses.

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

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

The Group assesses on a forward looking basis the ECL associated with other receivables. The impairment methodology applied depends on whether there is a significant increase in credit risk.

(j) Trade and other receivables

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

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

See note 25 for further information about the Group's accounting for trade receivables and note 5 for a description of the Group's impairment policies.

(k) Loan receivables

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

4 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, cashier orders, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(m) Share capital

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

(n) Trade and other payables

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

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

(o) Borrowings

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

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

(p) Borrowing costs

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

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

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

4 Summary of significant accounting policies (Continued)

(q) Taxation

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

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

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

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

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

(r) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement scheme obligations

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

4 Summary of significant accounting policies (Continued)

(r) Employee benefits (Continued)

(iii) Share-based payment

Equity-settled share-based payment transactions

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

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

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

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

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

Share-based payment transactions among group entities

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

(s) Provisions

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

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

4 Summary of significant accounting policies (Continued)

(s) Provisions (Continued)

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

(t) Revenue recognition

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

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

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

(i) Agency fee from property agency business

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

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

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

(ii) Revenue from immigration consultancy services

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

(iii) Income from operating leases

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

(iv) Income from web advertising and other services income

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

(v) Interest income from loan receivables and finance income

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

4 Summary of significant accounting policies (Continued)

(u) 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.

Before the adoption of HKFRS 16, leases of property, plant and equipment, where the Group as lessee, were classified as either finance or operating leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to consolidated income statement on a straight-line basis over the period of the lease. Commitments under operating leases for future periods were not recognised by the Group as liabilities.

Under HKFRS 16, 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.

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.

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.

4 Summary of significant accounting policies (Continued)

(u) Leases (Continued)

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.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

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

(v) 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.

(w) 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.

5 Financial risk management

(a) Financial risk factors

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

(i) Credit risk

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

Risk management

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

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

Impairment of financial assets

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

5 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

Loan receivables

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

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

– internal credit rating

– external credit rating (as far as available)

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

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

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

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

Trade receivables

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

– primary properties market transactions

– other transactions

For trade receivables from primary properties market transactions, the counterparties are primarily large corporations and have strong financial position and management considers the credit risk is not high.

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

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

5 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

Trade receivables (Continued)

To measure the expected credit losses, these trade receivables have been grouped based on the days past due.

The expected loss rates are based on the latest completed historical payment profile of sales over a period of 12 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 bases, the loss allowances for trade receivables as at the end of the reporting periods were determined as follows:

As at 31 December 2019

			Loss allowance		
	Expected loss rate %	Gross carrying amount HK$'000	Individually assessed HK$'000	Collectively assessed HK$'000	Total HK$'000
Current (not yet due)	0.3%-18.1%	2,071,179	(2,516)	(2,563)	(5,079)
Less than 30 days past due	0.5%-4.5%	54,459	(10,288)	(345)	(10,633)
31-60 days past due	0.5%-11.7%	18,275	(181)	(165)	(346)
61-90 days past due	0.5%-18.6%	7,129	(213)	(243)	(456)
More than 90 days past due	27.4%-100%	91,479	(79,953)	(442)	(80,395)
		2,242,521	(93,151)	(3,758)	(96,909)

5 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk (Continued)

Trade receivables (Continued)

As at 31 December 2018

	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance Individually assessed HK$'000	Loss allowance Collectively assessed HK$'000	Loss allowance Total HK$'000
Current (not yet due)	0.6%-20.0%	2,487,377	(3,941)	(1,773)	(5,714)
Less than 30 days past due	0.4%-66.7%	40,705	(1,746)	(506)	(2,252)
31-60 days past due	3.1%-81.1%	15,317	(477)	(509)	(986)
61-90 days past due	8.2%-86.1%	6,013	(1,379)	(605)	(1,984)
More than 90 days past due	42.9%-100%	136,805	(102,556)	(25,218)	(127,774)
		2,686,217	(110,099)	(28,611)	(138,710)

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:

	2019 HK$'000	2018 HK$'000
At 1 January	138,710	128,774
Increase in provision for impairment recognised in profit or loss during the year	13,423	47,706
Receivables written off during the year as uncollectible	(55,224)	(37,770)
At 31 December	96,909	138,710

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

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

Other financial assets at amortised cost

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

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

5 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Foreign exchange risk

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

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

At the balance sheet date, if HK$ had weakened or strengthened by 5% (2018: 5%) against RMB with all other variables held constant, the Group's loss after taxation would have been approximately HK$9,194,000 lower or higher (2018 profit after taxation: HK$7,544,000 higher or lower) and other comprehensive income would have been approximately HK$11,769,000 (2018: HK$10,473,000) lower or higher.

(iii) Cash flow and fair value interest rate risk

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

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

(iv) Liquidity risk

The Group maintains its own treasury function (the "Group Finance") to monitor the current and expected liquidity requirements and aims to maintain flexibility by keeping sufficient cash and cash equivalents generated from operations and draw down of borrowings. Cash flow forecast is performed in the operating entities of the Group and aggregated by the Group Finance. The Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient head-room on its undrawn facilities (note 31) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

Surplus cash held by the operating entities over and above the balance required for working capital management are transferred to the Group Finance. The Group Finance invests surplus cash in interest bearing time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room for the Group to meet the liquidity requirements. At 31 December 2019, the Group held cash and bank balances of HK$1,151,688,000 (2018: HK$942,290,000).

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

5 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

	On demand HK$'000	Less than 1 year HK$'000	1-5 years HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2019					
Trade and other payables	–	2,584,713	–	2,584,713	2,584,713
Borrowings	489,487	–	–	489,487	489,000
Lease liabilities	–	533,717	247,173	780,890	758,664
	489,487	3,118,430	247,173	3,855,090	3,832,377
At 31 December 2018					
Trade and other payables	–	2,874,810	–	2,874,810	2,874,810
Borrowings	255,698	–	–	255,698	255,500
	255,698	2,874,810	–	3,130,508	3,130,310

(b) Capital risk management

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

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

5 Financial risk management (Continued)

(b) Capital risk management (Continued)

The Group monitors capital on the basis of the gearing ratio and the current ratio. The gearing ratio is calculated as total borrowings divided by total equity. The gearing ratios at 31 December 2019 and 2018 were as follows:

	2019 HK$'000	2018 HK$'000
Borrowings	489,000	255,500
Total equity	1,324,634	1,456,098
Gearing ratio	36.9%	17.5%

The current ratio of the Group, which represents a ratio of current assets over current liabilities, at 31 December 2019 and 2018 were as follows:

	2019 HK$'000	2018 HK$'000
Current assets	3,810,972	3,915,706
Current liabilities	3,594,575	3,133,818
Current ratio	1.1	1.2

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

(c) Fair value estimation

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

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

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

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

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

5 Financial risk management (Continued)

(c) Fair value estimation (Continued)

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000
As at 31 December 2019			
Assets			
Financial assets at FVOCI	–	4,800	–
As at 31 December 2018			
Assets			
Financial assets at FVOCI	–	5,635	–

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

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

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

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

The fair value estimation of investment properties is disclosed in note 19 to the consolidated financial statements.

6 Critical accounting estimates and judgements

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

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

(a) Revenue recognition

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

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

(b) Impairment of financial assets

Management reviews regularly the recoverable amount of each individually significant trade receivable and loan receivable to ensure that adequate impairment is made for the irrecoverable amounts. The measurement of impairment losses under HKFRS 9 requires judgement, in particular, management assesses the recoverable amount of each individually significant trade receivable and loan receivable whether there is objective evidence that the receivable is impaired. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtors and the local economic conditions that correlate with the potential risk of impairment on the transactions. For the remaining trade receivables, generally not arising from primary properties market transactions and having no objective evidence of impairment, the impairment is assessed based on the latest completed historical payment profile of sales over a period of 12 month 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 19 to the consolidated financial statements.

6 Critical accounting estimates and judgements (Continued)

(d) Income taxes

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

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

(e) Lease term

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

The following factors are normally the most relevant:

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

7 Revenues

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
– Agency fee	4,863,656	4,984,090
– Immigration consultancy services	7,197	17,464
– Web advertising	1,533	1,489
– Other services	3,048	3,437
	4,875,434	5,006,480
Revenue from other sources		
– Rental income	3,082	2,843
– Interest income from loan receivables	4,987	898
Total revenues	4,883,503	5,010,221

8 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 which are principally located in Hong Kong, the PRC and Macau, and comprises property agency businesses for residential, commercial and industrial properties and shops, and other businesses which mainly include property leasing, immigration consultancy services, money lending services and mortgage referral services.

	Year ended 31 December 2019			
	Property agency			
	Residential properties HK$'000	Commercial and industrial properties and shops HK$'000	Others HK$'000	Total HK$'000
Segment revenues	4,772,175	91,481	27,512	4,891,168
Inter-segment revenues	–	–	(7,665)	(7,665)
Revenues from external customers	4,772,175	91,481	19,847	4,883,503
Timing of revenue recognition				
– At a point in time	4,772,175	91,481	3,048	4,866,704
– Over time	–	–	8,730	8,730
Rental income	–	–	3,082	3,082
Interest income from loan receivables	–	–	4,987	4,987
	4,772,175	91,481	19,847	4,883,503
Segment results	(23,676)	(13,745)	31,714	(5,707)
Amortisation of right-of-use assets (lease)	(644,435)	(3,490)	(104)	(648,029)
Depreciation of property and equipment	(53,530)	(1,117)	(696)	(55,343)
Net impairment loss on financial assets	(13,259)	(164)	–	(13,423)
Share of results of joint ventures	–	–	27,712	27,712
Share of results of associates	–	(6,601)	–	(6,601)
Fair value loss on investment properties	–	–	(2,319)	(2,319)
Impairment loss on right-of-use assets	(3,907)	(427)	–	(4,334)
Additions to property and equipment	63,491	790	156	64,437

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

8 Segment information (Continued)

	Year ended 31 December 2018			
	Property agency			
	Residential properties HK$'000	Commercial and industrial properties and shops HK$'000	Others HK$'000	Total HK$'000
Segment revenues	4,897,474	86,616	33,763	5,017,853
Inter-segment revenues	–	–	(7,632)	(7,632)
Revenues from external customers	4,897,474	86,616	26,131	5,010,221
Timing of revenue recognition				
– At a point in time	4,897,474	86,616	3,437	4,987,527
– Over time	–	–	18,953	18,953
Rental income	–	–	2,843	2,843
Interest income from loan receivables	–	–	898	898
	4,897,474	86,616	26,131	5,010,221
Segment results	80,741	15,922	46,843	143,506
Depreciation of property and equipment	(52,760)	(1,418)	(703)	(54,881)
Net impairment loss on financial assets	(46,659)	(1,047)	–	(47,706)
Share of results of joint ventures	–	–	27,849	27,849
Share of results of associates	–	16,295	–	16,295
Fair value gains on investment properties	–	–	2,465	2,465
Additions to property and equipment	53,043	710	54	53,807

Note: The share of results and interests in joint ventures mainly represent the financial information of mReferral Corporation Limited and its subsidiaries ("mReferral Group") that are material to the Group. Please refer to note 21 for the summarised financial information.

The Executive Directors assess the performance of the operating segments based on a measure of operating results from each reportable segment. Corporate expenses, finance income, interest on bank loans and overdrafts and taxation are not included in the segment results.

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

8 Segment information (Continued)

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

	2019 HK$'000	2018 HK$'000
Segment results for reportable segments	(5,707)	143,506
Corporate expenses	(45,019)	(48,805)
Finance income	631	546
Interest on bank loans and overdrafts	(13,331)	(16,711)
(Loss)/profit before taxation per consolidated income statement	(63,426)	78,536

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

	As at 31 December 2019			
	Property agency			
	Residential properties HK$'000	Commercial and industrial properties and shops HK$'000	Others HK$'000	Total HK$'000
Segment assets	4,038,552	415,145	262,420	4,716,117
Segment assets include:				
Interests in joint ventures	–	–	45,821	45,821
Interests in associates	–	368,339	–	368,339
Segment liabilities	3,274,774	45,813	21,418	3,342,005

8 Segment information (Continued)

	As at 31 December 2018			
	Property agency			
	Residential properties HK$'000	Commercial and industrial properties and shops HK$'000	Others HK$'000	Total HK$'000
Segment assets	3,500,952	415,366	206,475	4,122,793
Segment assets include:				
Interests in joint ventures	–	–	45,637	45,637
Interests in associates	–	376,650	–	376,650
Segment liabilities	2,802,266	49,326	20,826	2,872,418

Reportable segment assets are reconciled to total assets as follows:

	2019 HK$'000	2018 HK$'000
Segment assets	4,716,117	4,122,793
Corporate assets	424,672	448,375
Deferred tax assets	21,227	17,093
Financial assets at fair value through other comprehensive income	4,800	5,635
Total assets per consolidated balance sheet	5,166,816	4,593,896

Reportable segment liabilities are reconciled to total liabilities as follows:

	2019 HK$'000	2018 HK$'000
Segment liabilities	3,342,005	2,872,418
Corporate liabilities	494,156	261,400
Deferred tax liabilities	6,021	3,980
Total liabilities per consolidated balance sheet	3,842,182	3,137,798

8 Segment information (Continued)

Geographical information:

	2019 HK$'000	2018 HK$'000
Revenues from external customers		
Hong Kong and Macau	3,963,912	4,160,330
PRC	919,591	849,891
	4,883,503	5,010,221

Revenues are attributed to locations where the transactions took place.

9 Other income, net

	2019 HK$'000	2018 HK$'000
Fair value (loss)/gains on investment properties (note 19)	(2,319)	2,465
Gain on disposal of an investment property	170	–
Others	4,601	3,417
	2,452	5,882

10 Staff costs, including directors' emoluments

	2019 HK$'000	2018 HK$'000
Salaries and allowances	800,326	839,006
Commissions	1,587,916	1,709,785
Pension costs for defined contribution plans	68,799	47,862
	2,457,041	2,596,653

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

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

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

11 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 2019 is set out below:

Name of director	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus/ performance incentive* HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Directors					
Mr. WONG Kin Yip, Freddie (Chairman)	200	10,083	–	–	10,283
Ms. WONG Ching Yi, Angela	200	7,380	–	18	7,598
Mr. WONG Tsz Wa, Pierre	200	9,217	–	18	9,435
Mr. CHEUNG Kam Shing	200	1,734	224	18	2,176
	800	28,414	224	54	29,492
Non-Executive Director					
Mr. WONG Wing Cheung Dennis	260	–	–	–	260
	260	–	–	–	260
Independent Non-Executive Directors					
Mr. HO Kwan Tat, Ted	260	–	–	–	260
Mr. SUN Tak Chiu	260	–	–	–	260
Mr. WONG San	260	–	–	–	260
	780	–	–	–	780
	1,840	28,414	224	54	30,532

11 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 2018 is set out below:

Name of director	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus/ performance incentive* HK$'000	Retirement benefit costs HK$'000	Total HK$'000
Executive Directors					
Mr. WONG Kin Yip, Freddie (Chairman)	200	10,129	–	–	10,329
Ms. WONG Ching Yi, Angela	200	7,496	1,744	18	9,458
Mr. WONG Tsz Wa, Pierre	200	9,171	1,744	18	11,133
Mr. CHEUNG Kam Shing	200	1,688	244	18	2,150
	800	28,484	3,732	54	33,070
Non-Executive Director					
Mr. WONG Wing Cheung Dennis	260	–	–	–	260
	260	–	–	–	260
Independent Non-Executive Directors					
Mr. HO Kwan Tat, Ted	260	–	–	–	260
Mr. SUN Tak Chiu	260	–	–	–	260
Mr. WONG San	260	–	–	–	260
	780	–	–	–	780
	1,840	28,484	3,732	54	34,110

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

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

(a) Benefit and interest of directors (Continued)

As a result of the adoption of HKFRS 15 at 1 January 2018 which affected the timing of revenue recognition from provision of property agency services in the PRC primary market, additional performance incentive in relation to previous years' profits of HK$1,450,000 and HK$1,110,000 were paid to Ms. WONG Ching Yi, Angela ("Ms. WONG") and Mr. WONG Tsz Wa, Pierre, respectively.

(i) Directors' emoluments

No director waived or agreed to waive any emoluments during the year (2018: nil). No incentive payment for joining the Group was paid or payable to any director during the year (2018: nil).

(ii) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the year (2018: nil).

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

During the year ended 31 December 2019, the Group did not pay consideration to any third parties for making available directors' services (2018: nil).

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

As at 31 December 2019, there are no loans, quasi-loans and other dealing arrangements in favour of directors, bodies corporate controlled by and entities connected with such directors (2018: nil).

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

Saved as disclosed in note 36, 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.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest for the year include three (2018: three) directors whose emoluments are reflected in the analysis shown in note 11(a). The emoluments payable to the remaining two (2018: two) individuals during the year are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and allowances	5,110	4,859
Discretionary bonus	616	746
Retirement benefit costs	36	36
	5,762	5,641

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
HK$2,500,001 – HK$3,000,000	1	1
HK$3,000,001 – HK$3,500,000	1	1
	2	2

12 Operating (loss)/profit

Operating (loss)/profit is arrived at after charging:

	2019 HK$'000	2018 HK$'000
Loss on disposal of property and equipment	353	768
Impairment loss on right-of-use assets	4,334	–
Direct operating expenses arising from investment properties that:		
– generated rental income	306	307
– did not generate rental income	32	119
Auditor's remuneration		
– audit services	3,127	3,259
– interim results review	573	573
Net foreign exchange losses	590	2,682

13 Finance income and costs

	2019 HK$'000	2018 HK$'000
Finance income		
Bank interest income	631	546
Finance costs		
Interest on bank loans and overdrafts	(13,331)	(16,711)
Interest on lease liabilities	(27,586)	–
	(40,917)	(16,711)
Finance costs, net	(40,286)	(16,165)

14 Taxation

	2019 HK$'000	2018 HK$'000
Current taxation		
Hong Kong profits tax	6,599	17,132
Overseas	992	797
Deferred taxation (note 29)	(2,093)	2,473
	5,498	20,402

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2019 HK$'000	2018 HK$'000
(Loss)/profit before taxation	(63,426)	78,536
Less: share of results of joint ventures	(27,712)	(27,849)
share of results of associates	6,601	(16,295)
	(84,537)	34,392
Calculated at a taxation rate of 16.5% (2018: 16.5%)	(13,949)	5,675
Effect of different taxation rates in other countries	(1,670)	(3,915)
Income not subject to taxation	(163)	(552)
Expenses not deductible for taxation purposes	1,120	712
Utilisation of previously unrecognised tax losses	(529)	(3,964)
Tax losses not recognised	19,417	23,613
Other temporary differences not recognised	1,114	(1,340)
Others	158	173
Taxation charge	5,498	20,402

15 Dividends

	2019 HK$'000	2018 HK$'000
Interim dividend of nil (2018: HK$0.032 per share)	–	22,977

The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: nil).

16 (Loss)/earnings per share

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

	2019 HK$'000	2018 HK$'000
(Loss)/profit attributable to equity holders for the calculation of basic (loss)/ earnings per share	(68,924)	58,134
Adjustment on the effect of dilutive events of associates	–	(1,038)
(Loss)/profit attributable to equity holders for the calculation of diluted (loss)/ earnings per share	(68,924)	57,096
Number of shares for the calculation of basic and diluted (loss)/earnings per share (thousands)	718,046	718,046
Basic (loss)/earnings per share (HK cents)	(9.60)	8.10
Diluted (loss)/earnings per share (HK cents)	(9.60)	7.95

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

For the year ended 31 December 2019, the diluted loss per share is the same as the basic loss per share as the exercise of share options of the Company and the convertible note issued by its associates would have an anti-dilutive effect.

In calculating the diluted earnings per share for the year ended 31 December 2018, adjustments have been made to reflect the dilutive impact in respect of the exercise of the convertible note issued by its associates. The weighted average number of shares has not been adjusted as the exercise of the Company's share options have an anti-dilutive effect and the exercise of the convertible note of the associates do not affect the number of shares of the Company.

17 Property and equipment

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2019						
Cost	156,709	284,407	80,012	210,056	6,798	737,982
Accumulated depreciation	(96,624)	(248,593)	(66,179)	(184,739)	(5,329)	(601,464)
Net book amount	60,085	35,814	13,833	25,317	1,469	136,518
Year ended 31 December 2019						
Opening net book amount	60,085	35,814	13,833	25,317	1,469	136,518
Additions	–	32,304	4,703	27,430	–	64,437
Disposals	–	(265)	(88)	–	–	(353)
Depreciation	(1,124)	(38,964)	(4,310)	(10,880)	(530)	(55,808)
Exchange differences	(11)	(69)	(244)	(1)	–	(325)
Closing net book amount	58,950	28,820	13,894	41,866	939	144,469
At 31 December 2019						
Cost	156,694	270,881	82,576	237,466	6,798	754,415
Accumulated depreciation	(97,744)	(242,061)	(68,682)	(195,600)	(5,859)	(609,946)
Net book amount	58,950	28,820	13,894	41,866	939	144,469
At 1 January 2018						
Cost	156,747	278,681	79,740	195,790	5,995	716,953
Accumulated depreciation	(95,507)	(235,157)	(64,007)	(177,249)	(4,798)	(576,718)
Net book amount	61,240	43,524	15,733	18,541	1,197	140,235
Year ended 31 December 2018						
Opening net book amount	61,240	43,524	15,733	18,541	1,197	140,235
Additions	–	31,729	6,192	15,083	803	53,807
Disposals	–	(324)	(379)	(65)	–	(768)
Depreciation	(1,124)	(38,401)	(7,017)	(8,237)	(531)	(55,310)
Exchange differences	(31)	(714)	(696)	(5)	–	(1,446)
Closing net book amount	60,085	35,814	13,833	25,317	1,469	136,518
At 31 December 2018						
Cost	156,709	284,407	80,012	210,056	6,798	737,982
Accumulated depreciation	(96,624)	(248,593)	(66,179)	(184,739)	(5,329)	(601,464)
Net book amount	60,085	35,814	13,833	25,317	1,469	136,518

Land and buildings with net book value of HK$58,465,000 (2018: HK$59,572,000) are pledged as security for the Group's borrowing facilities (note 31).

18 Right-of-use assets and lease liabilities

(a) Amounts recognised in the consolidated balance sheet

(i) Right-of-use assets

	As at 31 December 2019 HK$'000	As at 1 January 2019 (as restated) HK$'000
Properties	689,392	737,528
Motor vehicles	397	387
Land use rights	1,014	1,072
	690,803	738,987

Additions to the right-of-use assets during the year were HK$626,537,000.

(ii) Lease liabilities

	As at 31 December 2019 HK$'000	As at 1 January 2019 (as restated) HK$'000
Non-current	241,586	271,657
Current	517,078	527,601
	758,664	799,258

During the year ended 31 December 2019, the Group received rent concessions from landlords for certain leased properties, which have been accounted for as lease modifications.

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

(b) Amounts recognised in the consolidated income statement

	2019 HK$'000
Amortisation of right-of use assets	
Properties	647,607
Motor vehicles	387
Land use rights	35
	648,029
Expenses relating to short-term leases (included in operating lease charges in respect of office and shop premises)	62,445
Expenses relating to variable lease payments not included in lease liabilities (included in operating lease charges in respect of office and shop premises)	900
Interest on lease liabilities	27,586

As at 31 December 2019, certain leased properties were written down to its recoverable amount, which was determined by reference to the value in use of the lease properties. The impairment loss of HK$4,334,000 is included in other operating costs in the consolidated income statement.

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

The total cash outflow for leases during the year was HK$735,488,000.

19 Investment properties

	2019 HK$'000	2018 HK$'000
Opening net book amount	91,160	90,591
Change in fair value to consolidated income statement (note 9)	(2,319)	2,465
Disposal	(10,480)	–
Exchange differences	(674)	(1,896)
Closing net book amount	77,687	91,160

Change in fair value of investment properties is included in "other income, net" in the consolidated income statement (note 9).

As at 31 December 2019, valuations were undertaken by Knight Frank Petty Limited (2018: Midland Surveyors Limited), an independent qualified professional valuer with appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. Fair values of investment properties in Hong Kong and the PRC are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations.

Information about fair value measurements using significant unobservable inputs:

		Range of significant unobservable inputs	
Location of investment properties	Fair value HK$'000	Prevailing market rent per month	Capitalisation rate
Hong Kong	48,020	HK$39 to HK$100 per sq. ft. (saleable) (2018: HK$40 to HK$118 per sq. ft. (saleable))	3.00% to 4.20% (2018: 3.20% to 4.40%)
The PRC	29,667	RMB180 to RMB1,850 per sq. m. (gross) (2018: RMB187 to RMB1,730 per sq. m. (gross))	5.50% to 6.00% (2018: 4.90% to 5.80%)
Total	77,687		

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

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

Investment properties with net book value of HK$61,353,000 (2018: HK$74,796,000) are pledged as security for the Group's borrowing facilities (note 31).

20 Land use rights

Land use rights represent prepaid operating lease payments:

	2019 HK$'000	2018 HK$'000
Opening net book amount	1,072	1,174
Reclassified to right-of-use assets	(1,072)	–
Amortisation	–	(36)
Exchange differences	–	(66)
Closing net book amount	–	1,072

The Group's land use rights were reclassified to right-of-use assets upon initial adoption of HKFRS 16 at 1 January 2019 (see note 3).

21 Interests in joint ventures

	2019 HK$'000	2018 HK$'000
Share of net assets	45,821	45,637

Details of the principal joint ventures are set out in note 39(b) to the consolidated financial statements.

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

	2019 HK$'000	2018 HK$'000
At the beginning of the year	45,637	49,254
Share of profit	27,712	27,849
Dividend received	(27,528)	(31,466)
At the end of the year	45,821	45,637

21 Interests in joint ventures (Continued)

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

mReferral Group

	2019 HK$'000	2018 HK$'000
Total non-current assets	11,638	264
Total current assets	132,077	111,503
Total non-current liabilities	(6,403)	–
Total current liabilities	(47,817)	(22,521)
Net assets	89,495	89,246
Group's share of net asset	44,747	44,623
Revenues	169,297	146,500
Profit and total comprehensive income for the year attributable to equity holders	55,306	55,057
Group's share of the profit and total comprehensive income for the year	27,653	27,529

During the year ended 31 December 2019, the Group received dividends of HK$27,528,000 (2018: HK$31,466,000) from mReferral Group.

There are no significant contingent liabilities and capital commitments relating to the Group's interests in joint ventures and the joint ventures do not have any significant contingent liabilities and capital commitments as at 31 December 2019 and 2018.

22 Interests in associates

	2019 HK$'000	2018 HK$'000
Listed investment, at cost		
At the beginning of the year	376,650	360,355
Impact of change in accounting policy	(1,710)	–
Share of (loss)/profit	(6,601)	16,295
At end of the year	368,339	376,650

As at 31 December 2019, the market value of the listed investment was HK$67,207,000 (2018: HK$126,472,000).

Details of the principal associates are set out in note 39(c) to the consolidated financial statements.

22 Interests in associates (Continued)

The summarised financial information extracted from the annual report of the listed associate is set out below:

Midland IC&I Limited and its subsidiaries

	2019 HK$'000	2018 HK$'000
Total non-current assets	903,731	868,591
Total current assets	707,126	792,529
Total non-current liabilities	(333,336)	(312,962)
Total current liabilities	(181,510)	(227,492)
Non-controlling interests	(7,664)	(7,761)
Net assets	1,088,347	1,112,905
Group's share of net asset	368,339	376,650
Revenues	442,126	628,832 *
(Loss)/profit for the year attributable to equity holders	(19,504)	48,148
Group's share of the (loss)/profit for the year	(6,601)	16,295

* Restated to conform with the presentation in the current year

There are no significant contingent liabilities and capital commitments relating to the Group's interests in associates as at 31 December 2019 and 2018 and the associates do not have any significant contingent liabilities and capital commitments as at 31 December 2019 and 2018.

23 Financial assets at fair value through other comprehensive income

	2019 HK$'000	2018 HK$'000
Unlisted equity investments, at fair value	4,800	5,635

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

24 Loan receivables

	2019 HK$'000	2018 HK$'000
Loan receivables – loans to employees	2,821	5,183
Loan receivables – property mortgage loans	115,200	38,000
Total loan receivables	118,021	43,183
Less: non-current portion	(2,698)	(4,425)
Current portion	115,323	38,758

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

Details on the Group's credit policy and credit risk arising from loan receivables are set out in note 5(a)(i).

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

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

	2019 HK$'000	2018 HK$'000
Current	115,323	38,758
Over 1 year but less than 3 years	2,698	4,425
	118,021	43,183

25 Trade and other receivables

	2019 HK$'000	2018 HK$'000
Trade receivables	2,242,521	2,686,217
Less: loss allowance	(96,909)	(138,710)
Trade receivables, net	2,145,612	2,547,507
Other receivables, prepayments and deposits	369,145	360,049
	2,514,757	2,907,556

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

	2019 HK$'000	2018 HK$'000
Current (not yet due)	2,066,100	2,481,663
Less than 30 days past due	43,826	38,453
31 to 60 days past due	17,929	14,331
61 to 90 days past due	6,673	4,029
More than 90 days past due	11,084	9,031
	2,145,612	2,547,507

Trade receivables of HK$79,512,000 (2018: HK$65,844,000) were past due but not impaired.

Details on the Group's credit policy and credit risk arising from trade receivables are set out in note 5(a)(i).

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

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

Borrowing facilities granted to the Group were secured, inter alia, by floating charge over certain receivables of the Group, with carrying value of approximately HK$1,917,269,000 as at 31 December 2019 (2018: HK$2,326,024,000).

26 Cash and bank balances

	2019 HK$'000	2018 HK$'000
Cash and bank balances	1,151,688	942,290
Less:		
Short-term bank deposits with maturity over three months from date of deposits	(2,260)	(4,584)
Cash and cash equivalents in the consolidated balance sheet and the consolidated statement of cash flows	1,149,428	937,706

As at 31 December 2019, the Group's cash and bank balances included balances of HK$144,783,000 (2018: HK$111,471,000), which were deposits with banks in the PRC. The remittance of such balances out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

27 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 2018, 31 December 2018 and 31 December 2019	718,046,005	71,805	223,505	295,310

Notes:

(a) Share capital

The total authorised number of ordinary shares is 1 billion shares (2018: 1 billion shares) with a nominal value of HK$0.10 per share (2018: HK$0.10 per share). All issued shares are fully paid.

(b) Share options

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

The Company has adopted another share option scheme on 23 June 2016 (the "2016 Share Option Scheme"). No share options of the Company were granted, exercised, cancelled or lapsed under the 2016 Share Option Scheme since the adoption of the 2016 Share Option Scheme up to 31 December 2019.

27 Share capital and premium (Continued)

Notes: (Continued)

(b) Share options (Continued)

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

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

Exercisable period	Exercise price per share HK$	Number of options 2019	2018
1 August 2011 to 31 July 2019	4.29	–	3,754,580
1 January 2012 to 31 December 2019	4.29	3,604,580	3,604,580
1 January 2012 to 31 December 2019	3.81	3,604,580	3,604,580
1 October 2013 to 30 September 2021	3.81	3,604,580	3,604,580
		10,813,740	14,568,320

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

	2019		2018	
	Weighted average exercise price per share HK$	Number of options	Weighted average exercise price per share HK$	Number of options
At beginning of the year	4.052	14,568,320	4.052	14,568,320
Lapsed	4.290	(3,754,580)	–	–
At end of the year	3.970	10,813,740	4.052	14,568,320

All the outstanding options were exercisable as at 31 December 2019 and 2018.

The options outstanding as at 31 December 2019 had a weighted average remaining contractual life of 0.58 year (2018: 1.32 years).

No share options had been granted or exercised during the year (2018: nil). In 2019, there was no share option expense recognised (2018: nil) in relation to share options granted under the share option schemes of the Company.

28 Reserves

	Capital redemption reserve HK$'000	Capital reserve HK$'000	Legal reserve HK$'000	Employee benefits reserve HK$'000	Exchange reserve HK$'000	Financial assets at FVOCI reserve HK$'000	Property revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2019	4,917	(11,553)	12	23,208	27,069	2,590	24,201	1,090,344	1,160,788
Impact on initial application of HKFRS 16 (note 3)	–	–	–	–	–	–	–	(63,053)	(63,053)
Restated balance at 1 January 2019	4,917	(11,553)	12	23,208	27,069	2,590	24,201	1,027,291	1,097,735
Loss for the year	–	–	–	–	–	–	–	(68,924)	(68,924)
Fair value gains on financial assets at fair value through other comprehensive income	–	–	–	–	–	108	–	–	108
Currency translation differences	–	–	–	–	405	–	–	–	405
Transfer of gain on disposal of financial assets at fair value through other comprehensive income to retained earnings	–	–	–	–	–	(325)	–	325	–
Employee share option scheme – lapse of share options	–	–	–	(6,349)	–	–	–	6,349	–
At 31 December 2019	4,917	(11,553)	12	16,859	27,474	2,373	24,201	965,041	1,029,324
At 1 January 2018	4,917	(11,553)	12	23,208	25,634	2,922	24,201	1,089,601	1,158,942
Profit for the year	–	–	–	–	–	–	–	58,134	58,134
Fair value gains on financial assets at fair value through other comprehensive income	–	–	–	–	–	1,156	–	–	1,156
Currency translation differences	–	–	–	–	1,435	–	–	–	1,435
Transfer of gain on disposal of financial assets at fair value through other comprehensive income to retained earnings	–	–	–	–	–	(1,488)	–	1,488	–
2017 final dividend paid	–	–	–	–	–	–	–	(35,902)	(35,902)
2018 interim dividend paid (note 15)	–	–	–	–	–	–	–	(22,977)	(22,977)
At 31 December 2018	4,917	(11,553)	12	23,208	27,069	2,590	24,201	1,090,344	1,160,788

29 Deferred taxation

	2019 HK$'000	2018 HK$'000
Deferred tax assets	(21,227)	(17,093)
Deferred tax liabilities	6,021	3,980
	(15,206)	(13,113)

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

	2019 HK$'000	2018 HK$'000
At 1 January	(13,113)	(15,586)
Recognised in the consolidated income statement (note 14)	(2,093)	2,473
At 31 December	(15,206)	(13,113)

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

	Provision HK$'000	Decelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
At 1 January 2018	(16,037)	(3,391)	(735)	(20,163)
Recognised in the consolidated income statement	2,590	(255)	8	2,343
At 31 December 2018	(13,447)	(3,646)	(727)	(17,820)
Recognised in the consolidated income statement	5,444	(1,607)	(7,244)	(3,407)
At 31 December 2019	(8,003)	(5,253)	(7,971)	(21,227)

29 Deferred taxation (Continued)

Deferred tax liabilities

	Accelerated tax depreciation HK$'000	Fair value gains of investment properties HK$'000	Total HK$'000
At 1 January 2018	3,459	1,118	4,577
Recognised in the consolidated income statement	130	–	130
At 31 December 2018	3,589	1,118	4,707
Recognised in the consolidated income statement	2,041	(727)	1,314
At 31 December 2019	5,630	391	6,021

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$114,484,000 (2018: HK$105,269,000) in respect of losses amounting to HK$611,977,000 (2018: HK$555,391,000) as at 31 December 2019. These tax losses are subject to the agreement with the tax authorities and can be carried forward against future taxable income. Tax losses have no expiry date except for tax losses amounting to HK$111,437,000 (2018: HK$118,667,000) which will expire from 2020 to 2024 (2018: from 2019 to 2023).

In addition, the Group did not recognise deferred tax assets of HK$2,085,000 (2018: HK$1,807,000) and HK$1,036,000 (2018: HK$1,363,000) in respect of decelerated tax depreciation and provision respectively.

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

	2019 HK$'000	2018 HK$'000
Deferred tax assets		
Recoverable after more than twelve months	(5,253)	(3,646)
Recoverable within twelve months	(15,974)	(13,447)
	(21,227)	(17,093)
Deferred tax liabilities		
Payable or settle after more than twelve months	6,021	3,980

30 Trade and other payables

	2019 HK$'000	2018 HK$'000
Commissions and rebate payables	2,127,721	2,400,026
Other payables and accruals	456,992	474,784
	2,584,713	2,874,810

Commissions and rebate payables to property consultants, co-operative estate agents and property buyers are due for payment only upon the receipt of corresponding agency fees from customers. These balances include HK$371,064,000 (2018: HK$373,718,000) in respect of which the corresponding agency fees have been received, and are due for payment within 30 days after year end. All the remaining commissions and rebate payables are not yet due.

The management considers the balance of contract liabilities arising from immigration consultancy services is not material to the Group and hence not presented as a separate line item in the financial statements.

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

31 Borrowings

As at 31 December 2019 and 2018, the Group's borrowings include a repayment on demand clause and are classified as current liabilities.

	2019 HK$'000	2018 HK$'000
Bank loans repayable within 1 year	489,000	255,500

These borrowing facilities are secured by certain land and buildings and investment properties held by the Group (notes 17 and 19), certain trade receivables (note 25) and guarantees provided by the Company (note 33).

The effective interest rate of the borrowings is 4.63% to 5.46% (2018: 3.80% to 4.35%). The carrying amount and fair value of the borrowings are as follows:

	Carrying amount		Fair value	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Borrowings	489,000	255,500	489,000	255,500

31 Borrowings (Continued)

The fair value is based on cash flows discounted using a rate based on the borrowing rate of 4.63% to 5.46% (2018: 3.80% to 4.35%).

Borrowings are denominated in Hong Kong dollars.

The Group has the following undrawn borrowing facilities:

	2019 HK$'000	2018 HK$'000
Floating rates		
Expiring within one year	2,201,556	2,436,318

32 Notes to consolidated statement of cash flows

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

	2019 HK$'000	2018 HK$'000
Operating (loss)/profit	(44,251)	50,557
Amortisation of right-of-use assets (lease)	648,029	–
Depreciation of property and equipment	55,808	55,346
Net impairment loss on financial assets	13,423	47,706
Fair value loss/(gains) on investment properties (note 9)	2,319	(2,465)
Gain on disposal of an investment property (note 9)	(170)	–
Loss on disposal of property and equipment (note 12)	353	768
Impairment loss on right-of-use assets (note 12)	4,334	–
Operating profit before working capital changes	679,845	151,912
Changes in loan receivables	(74,838)	(43,183)
Changes in trade and other receivables	373,145	(154,356)
Changes in trade and other payables	(280,197)	133,834
Net cash generated from operations	697,955	88,207

32 Notes to consolidated statement of cash flows (Continued)

(b) Reconciliation of liabilities from financing activities

Movements in liabilities from financing activities are as follows:

	Borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2018	359,900	–	359,900
Cash flows	(104,400)	–	(104,400)
At 31 December 2018	255,500	–	255,500
Recognised on adoption of HKFRS 16 (note 3)	–	799,258	799,258
	255,500	799,258	1,054,758
Cash flows	233,500	(644,557)	(411,057)
Other non-cash movements	–	603,963	603,963
At 31 December 2019	489,000	758,664	1,247,664

33 Contingent liabilities

As at 31 December 2019, the Company executed corporate guarantee of HK$2,752,556,000 (2018: HK$2,753,818,000) as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries of the Company. As at 31 December 2019, HK$528,899,000 of these facilities were utilised by the subsidiaries (2018: HK$296,977,000).

34 Future lease rental receivable

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

	2019 HK$'000	2018 HK$'000
Within one year	1,445	3,014
After one year but within five years	1,306	1,973
	2,751	4,987

35 Commitments

(a) Capital commitments

The Group did not have any significant capital commitments as at 31 December 2019 and 2018.

(b) Operating lease commitments

The Group had future aggregate minimum lease payable under non-cancellable operating leases in respect of office and shop premises as follows:

	2019 HK$'000	2018 HK$'000
Within one year	12,301	513,609
After one year but within five years	–	226,096
	12,301	739,705

The Group is the lessee in respect of office and shop premises held under leases which were previously classified as operating leases under HKAS 17. From 1 January 2019 onwards, future lease payments for most of the leases are recognised as lease liabilities in the consolidated balance sheet in accordance with the policies set out in note 4(u).

36 Significant related party transactions

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

(a) Transactions with related parties

	Note	2019 HK$'000	2018 HK$'000
Agency fee income from associates	(i)	63,911	99,035
Rebate incentives to associates	(ii)	(21,661)	(27,838)
Operating lease rental expenses to associates in respect of office premise	(iii)	–	(2,478)
Operating lease rental expenses to related companies in respect of office and shop premises	(iv)	–	(5,552)
Operating lease rental expenses to a director in respect of shop premises	(v)	–	(370)

Notes:

(i) Agency fee income from associates represents agency fee for property agency transactions referred to associates on terms mutually agreed by both parties.

(ii) Rebate incentives to associates represents rebate incentives for property agency transactions referred by associates on terms mutually agreed by both parties.

(iii) The Group entered into an operating lease agreement with an associate on terms mutually agreed by both parties. The lease payments to an associate for the year were HK$2,484,000.

(iv) Before 1 January 2019, the Group has entered into certain operating lease agreements with certain related companies owned by Mr. WONG Kin Yip, Freddie ("Mr. WONG"), who is the director of the Company and the father of Ms. WONG, on terms mutually agreed by both parties. The lease payments to these related companies under these agreements for the year ended 31 December 2019 was HK$4,087,000.

(v) Before 1 January 2019, the Group entered into an operating lease agreement with Ms. WONG, who is the director of the Company, on terms mutually agreed by both parties. The lease payments to Ms. WONG under this agreement for the year ended 31 December 2019 was HK$78,000.

The Group shared administrative and corporate services fee with its associates on a cost basis. During the year ended 31 December 2019, the expenses shared by the associates amounted to HK$9,036,000 (2018: HK$8,189,000).

(b) During the year ended 31 December 2019, the Group entered into certain lease agreements with certain related companies, of which Mr. WONG is the beneficial owner, on terms mutually agreed by both parties. The Group recognised right-of-use assets of HK$3,142,000 at the commencement date of the leases. Payments under these leases for the year ended 31 December 2019 was HK$757,000.

36 Significant related party transactions (Continued)

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

	2019 HK$'000	2018 HK$'000
Trade receivables		
Amounts due from associates	30,294	52,866
Trade payables		
Amounts due to associates	(15,915)	(24,174)
Lease liabilities		
Amount due to associates	(413)	–
Amount due to related companies	(3,365)	–

(d) Key management compensation

	2019 HK$'000	2018 HK$'000
Fees, salaries, allowances and incentives	29,438	33,016
Retirement benefit costs	54	54
	29,492	33,070

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

37 Event after the reporting period

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented. The Group has paid close attention to the development of the COVID-19 outbreak and kept evaluating its impact on the financial position, cash flows and operating results of the Group. The outbreak is a non-adjusting post-balance sheet event. We do not consider that this has any material impacts on the carrying value of assets or liabilities at 31 December 2019.

38 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	Note	As at 31 December 2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries		108,501	108,501
Current assets			
Other receivables, prepayments and deposits		67	24
Amounts due from subsidiaries		794,800	797,083
Taxation recoverable		111	62
Cash and cash equivalents		76	734
		795,054	797,903
Total assets		903,555	906,404
EQUITY AND LIABILITIES			
Equity holders			
Share capital		71,805	71,805
Share premium		223,505	223,505
Reserves	(a)	600,135	598,751
Total equity		895,445	894,061
Current liabilities			
Other payables and accruals		7,635	11,905
Amounts due to subsidiaries		475	438
Total liabilities		8,110	12,343
Total equity and liabilities		903,555	906,404

The balance sheet of the Company was approved by the Board of Directors on 27 March 2020 and was signed on its behalf.

WONG Ching Yi, Angela
Director

WONG Tsz Wa, Pierre
Director

38 Balance sheet and reserve movement of the Company (Continued)

Note (a) Reserve movement of the Company

	Capital redemption reserve HK$'000	Employee benefits reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2019	4,917	23,208	108,001	462,625	598,751
Profit for the year	–	–	–	1,384	1,384
Employee share option scheme					
– lapse of share options	–	(6,349)	–	6,349	–
At 31 December 2019	4,917	16,859	108,001	470,358	600,135
At 1 January 2018	4,917	23,208	108,001	439,594	575,720
Profit for the year	–	–	–	81,910	81,910
2017 final dividend paid	–	–	–	(35,902)	(35,902)
2018 interim dividend paid (note 15)	–	–	–	(22,977)	(22,977)
At 31 December 2018	4,917	23,208	108,001	462,625	598,751

The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of Astra Profits Limited and the value of the net assets of the underlying subsidiaries acquired as at 12 May 1995. The contributed surplus is distributable to the equity holders. In the Group's consolidated financial statements, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

39 Particulars of principal subsidiaries, joint ventures and associates

(a) Principal subsidiaries

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and places of operation	Percentage of ownership interest 2019 %	Percentage of ownership interest 2018 %
Astra Profits Limited (note a)	British Virgin Islands	4 shares of US$1 each	Investment holding in Hong Kong	100	100
Hong Kong Property Services (Agency) Limited	Hong Kong	2 shares	Property agency in Hong Kong	100	100
Hong Kong Property Services (China) Limited	Hong Kong	1 share	Investment holding in the PRC	100	100
Midland Credit Limited	Hong Kong	1 share	Money lending business in Hong Kong	100	100
Midland CyberNet Limited	Hong Kong	39,100,000 shares	Investment holding and operation of internet website in Hong Kong	100	100
Midland HKP Services (Administration) Limited	Hong Kong	2 shares	Provision of management services in Hong Kong	100	100
Midland Immigration Consultancy Limited	Hong Kong	500,000 shares	Immigration consultancy services in Hong Kong	100	100
Midland Realty (Global) Limited	Hong Kong	1 share	Promotion of overseas properties in Hong Kong	100	100
Midland Realty (Macau) Agency Limited	Macau	MOP$25,000	Property agency in Macau	100	100
Midland Realty (Macau) Limited	Macau	MOP$25,000	Property agency in Macau	100	100
Midland Realty (Strategic) Limited	Hong Kong	10,000 shares and 2,000,000 non-voting deferred shares	Investment holding and provision of administration and treasury services to group companies in Hong Kong	100	100
Midland Realty International Limited	Hong Kong	1,000 shares	Property agency in Hong Kong	100	100

39 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(a) Principal subsidiaries (Continued)

Company name	Place of incorporation/ establishment	Issued/registered and paid-up capital	Principal activities and places of operation	Percentage of ownership interest 2019 %	2018 %
Midland Surveyors Limited	Hong Kong	1,000,000 shares	Provision of professional surveying consultancy and valuation services in Hong Kong	100	100
Perfect Tower Limited	Hong Kong	2 shares	Property investment in the PRC	100	100
Real Gain Limited	Hong Kong	10,000 shares	Property investment in Hong Kong	100	100
Teston Profits Limited	British Virgin Islands	1 share of US$1	Investment holding in Hong Kong	100	100
Worldboss Limited	Hong Kong	2 shares	Property investment in Hong Kong	100	100
Guangzhou Midland Property Agency Company Limited (note b)	The PRC	US$5,606,000	Property agency in the PRC	100	100
港置地產代理(深圳)有限公司 (note b)	The PRC	HK$45,000,000	Property agency in the PRC	100	100
美聯物業代理(深圳)有限公司 (note b)	The PRC	US$13,510,000	Property agency in the PRC	100	100
重慶美聯營銷策劃有限公司 (note b)	The PRC	US$2,147,000	Property agency in the PRC	100	100
成都港美聯房地產顧問有限公司 (note b)	The PRC	US$1,065,000	Property agency in the PRC	100	100
縱横擔保(深圳)有限公司 (note b)	The PRC	US$5,400,000	Property investment in the PRC	100	100
北京美聯房地產經紀有限公司 (note b)	The PRC	US$3,400,000	Property agency in the PRC	100	100

Notes:

(a) This subsidiary is directly held by the Company.

(b) Registered as wholly foreign owned enterprise under the PRC law.

39 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(b) Principal joint ventures

Company name	Place of incorporation	Principal activities and places of operation	Percentage of interest in ownership/voting power/profit sharing 2019	2018
mReferral Corporation Limited	British Virgin Islands	Investment holding in Hong Kong	50%/50%/50%	50%/50%/50%
mReferral Corporation (HK) Limited	British Virgin Islands	Provision of mortgage referral services in Hong Kong	50%/50%/50%	50%/50%/50%
Vision Year Investments Limited	British Virgin Islands	Investment holding in Hong Kong	10%/50%/10%	10%/50%/10%

(c) Principal associates

Company name	Place of incorporation	Principal activities and places of operation	Percentage of ownership interest 2019 %	2018 %
Midland IC&I Limited	Cayman Islands	Investment holding in Hong Kong	33.84	33.84
Bright Eastern Limited	Hong Kong	Property investment in Hong Kong	33.84	33.84
Century Hover Limited	British Virgin Islands	Property investment in Hong Kong	30.46	30.46
Champion Shine International Limited	Hong Kong	Property investment in Hong Kong	30.46	30.46
Dragon Magic Investments Limited	Hong Kong	Property investment in Hong Kong	30.46	30.46
Gain Capital (H.K.) Limited	Hong Kong	Securities investment in Hong Kong	33.84	33.84
Gainwell Group Limited	British Virgin Islands	Investment holding in Hong Kong	33.84	33.84
Glorious Success Global Limited	British Virgin Islands	Property investment in Hong Kong	30.46	30.46

39 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(c) Principal associates (Continued)

Company name	Place of incorporation	Principal activities and places of operation	Percentage of ownership interest 2019 %	2018 %
Grand Win (H.K.) Limited	Hong Kong	Property investment in Hong Kong	33.84	33.84
Ketanfall Group Limited	British Virgin Islands	Investment holding in Hong Kong	33.84	33.84
Leader Concord Limited	Hong Kong	Provision of management services to the group companies in Hong Kong	33.84	33.84
Legend Credit Limited	Hong Kong	Money lending business in Hong Kong	33.84	33.84
Midland IC&I Surveyors Limited	Hong Kong	Provision of surveying services in Hong Kong	33.84	33.84
Midland IC&I Treasury Services Limited	Hong Kong	Provision of treasury services to the group companies in Hong Kong	33.84	33.84
Midland Realty (Comm.) Limited	Hong Kong	Property agency in Hong Kong	33.84	33.84
Midland Realty (Comm. & Ind.) Limited	Hong Kong	Property agency in Hong Kong	33.84	33.84
Midland Realty (Comm. & Ind. II) Limited	Hong Kong	Property agency in Hong Kong	33.84	33.84
Midland Realty (Comm. & Ind. III) Limited	Hong Kong	Property agency in Hong Kong	33.84	33.84
Midland Realty (Shops) Limited	Hong Kong	Property agency in Hong Kong	33.84	33.84

39 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(c) Principal associates (Continued)

Company name	Place of incorporation	Principal activities and places of operation	Percentage of ownership interest 2019 %	2018 %
Midland Realty (Shops II) Limited	Hong Kong	Property agency in Hong Kong	33.84	33.84
Most Wealth (Hong Kong) Limited	Hong Kong	Property investment in Hong Kong	33.84	33.84
Powerful Surge Group Limited	British Virgin Islands	Investment holding in Hong Kong	30.46	30.46
Princeton Residence (HK) Limited	Hong Kong	Serviced apartment operation in Hong Kong	33.84	33.84
Ruby Hill Ventures Limited	British Virgin Islands	Investment holding in Hong Kong	33.84	33.84
Shine Treasure Holdings Limited	British Virgin Islands	Property investment in Hong Kong	30.46	30.46
Sino Hover Limited	British Virgin Islands	Property investment in Hong Kong	30.46	30.46
Supreme Gold Development Limited	Hong Kong	Property investment in Hong Kong	33.84	33.84
Teamway Group Limited	British Virgin Islands	Property investment in Hong Kong	33.84	33.84

Additional Financial Information

The following additional financial information does not form part of the consolidated financial statements as set out on pages 74 to 144.

Following the adoption of HKFRS 16 on 1 January 2019, the Group's statutory results for the year ended 31 December 2019 (the "Current Year") are prepared under HKFRS 16, whereas the statutory results for the corresponding year ended 31 December 2018 are prepared under HKAS 17 as previously reported. Hence, it is difficult to compare the financial information that is prepared under different bases.

As a result, the Group has provided, for reference only, an illustrative presentation of the Group's consolidated income statement and consolidated balance sheet for the Current Year prepared as if reported under HKAS 17 to assist in understanding the financial position impacted by the adoption of HKFRS 16.

HKFRS 16 requires lessee to recognise 'right-of-use' assets with the corresponding lease liabilities for most of the leases. On the adoption of HKFRS 16, the operating lease charges previously recorded in the consolidated income statement are now replaced by amortisation of right-of-use assets and interest expense on lease liabilities.

Consolidated Income Statement

For the Year Ended 31 December 2019

	As published		For reference only
	Reported under HKFRS 16 2019 HK$'000	*Reported under HKAS 17* 2018 HK$'000	*As if reported under HKAS 17* 2019 HK$'000
Revenues	4,883,503	5,010,221	4,883,503
Other income, net	2,452	5,882	2,452
Staff costs	(2,457,041)	(2,596,653)	(2,457,041)
Rebate incentives	(1,360,777)	(1,235,698)	(1,360,777)
Advertising and promotion expenses	(62,793)	(52,355)	(62,793)
Operating lease charges in respect of office and shop premises	(63,345)	(706,914)	(735,583)
Amortisation of right-of-use assets (lease)	(648,029)	–	–
Depreciation of property and equipment	(55,808)	(55,346)	(55,843)
Net impairment loss on financial assets	(13,423)	(47,706)	(13,423)
Other operating costs	(268,990)	(270,874)	(264,656)
Operating (loss)/profit	(44,251)	50,557	(64,161)
Finance income	631	546	631
Interest on bank loans and overdrafts	(13,331)	(16,711)	(13,331)
Interest on lease liabilities	(27,586)	–	–
Share of results of joint ventures	27,712	27,849	27,712
Share of results of associates	(6,601)	16,295	(6,551)
(Loss)/profit before taxation	(63,426)	78,536	(55,700)
Taxation	(5,498)	(20,402)	(5,498)
(Loss)/profit for the year attributable to equity holders	(68,924)	58,134	(61,198)

Consolidated Balance Sheet

As at 31 December 2019

	As published		For reference only
	Reported under HKFRS 16 2019 HK$'000	*Reported under HKAS 17* 2018 HK$'000	*As if reported under HKAS 17* 2019 HK$'000
Non-current assets			
Right-of-use assets	690,803	–	–
Land use rights	–	1,072	1,014
Interests in associates	368,339	376,650	370,099
Other non-current assets	296,702	300,468	296,702
	1,355,844	678,190	667,815
Current assets	3,810,972	3,915,706	3,810,972
Total assets	5,166,816	4,593,896	4,478,787
Equity holders			
Share capital and share premium	295,310	295,310	295,310
Reserves	1,029,324	1,160,788	1,099,959
Total equity	1,324,634	1,456,098	1,395,269
Non-current liabilities			
Lease liabilities	241,586	–	–
Other non-current liabilities	6,021	3,980	6,021
	247,607	3,980	6,021
Current liabilities			
Lease liabilities	517,078	–	–
Other current liabilities	3,077,497	3,133,818	3,077,497
	3,594,575	3,133,818	3,077,497
Total liabilities	3,842,182	3,137,798	3,083,518
Total equity and liabilities	5,166,816	4,593,896	4,478,787

List of Investment Properties

Location	Lot number	Existing use	Lease term	Group's interest
Shop No. 6 on Lower Ground Floor, Franki Centre (formerly known as Kowloon Tong Centre), 320 Junction Road, Kowloon Tong, Kowloon, Hong Kong	NKIL5746	Commercial	Medium	100%
Unit 4 on Level (Site 1) 36 (excluding Market Entrance at L36) of Commercial Development, Sceneway Garden, 8 Sceneway Road, Lam Tin, Kowloon, Hong Kong	NKIL6046	Commercial	Medium	100%
Shops 1 and 2 on Ground Floor, Wai Wah Court, 12R Smithfield, Kennedy Town, Hong Kong	IL4097	Commercial	Long	100%
Shop No. 80, Harmony Garden, No.9 Siu Sai Wan Road, Hong Kong	CWIL154	Commercial	Medium	100%
Units 1202, 1203 and 1204 on Level 12 of Tower 1, Henderson Centre, 18 Jianguomennei Avenue, Dongcheng District, Beijing, the People's Republic of China	N/A (note)	Commercial	Medium	100%
Shop No. 1D 128 on Level 1, Sun Asia Guo Li Building, 8 Zhong Hang Road, Futian District, Shenzhen, the People's Republic of China	N/A (note)	Commercial	Long	100%
Shop No. 1D 188 on Level 1, Sun Asia Guo Li Building, 8 Zhong Hang Road, Futian District, Shenzhen, the People's Republic of China	N/A (note)	Commercial	Long	100%

Note: Property located in the People's Republic of China without lot number.

Five-Year Financial Summary

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
For the year					
Revenues	4,883,503	5,010,221	5,294,115	5,076,148	3,906,524
(Loss)/profit before taxation	(63,426)	78,536	235,068	40,009	(90,589)
(Loss)/profit attributable to equity holders of the Company	(68,924)	58,134	193,452	10,549	(99,486)
Cash flows					
Net cash inflow/(outflow) from operating activities	647,621	(26,934)	263,433	(43,840)	(37,856)
At year end					
Total assets	5,166,816	4,593,896	4,410,191	3,744,445	3,108,820
Total liabilities	3,842,182	3,137,798	3,048,412	2,560,904	1,578,813
Non-controlling interests	–	–	–	–	201,635
Total equity	1,324,634	1,456,098	1,361,779	1,183,541	1,530,007
Cash and bank balance (include short-term bank deposits)	1,151,688	942,290	1,158,645	876,490	1,303,066
	HK cents	HK cents	HK cents	HK cents	HK cents
Per share data					
Basic (loss)/earnings per share	(9.60)	8.10	26.94	1.47	(13.86)
Diluted (loss)/earnings per share	(9.60)	7.95	26.45	1.47	(13.86)
Dividend per share					
Interim	–	3.20	–	23.50	–
Final	–	–	5.00	–	–
Total	–	3.20	5.00	23.50	–

香港德輔道中19號環球大廈25樓2505-8室
Rooms 2505-8, 25th Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong
www.midland.com.hk