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## Thing On Enterprise Limited

晉安實業有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2292)**

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

<b>FINANCIAL HIGHLIGHTS</b>			
	<b>For the year ended 31 December</b>		<b>Change</b>
	<b>2017</b>	<b>2016</b>	
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>%</b>
Revenue	<b>46,243</b>	41,294	12.0
Gross profit	<b>38,744</b>	36,989	4.7
Profit before income tax	<b>185,622</b>	245,860	(24.5)
Profit for the year attributable to owners of the Company (Excluding changes in fair value of investment properties charged to profit or loss)	<b>21,957</b>	26,579	(17.4)

### ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Thing On Enterprise Limited (the “Company”) is pleased to present the consolidated results of the Company and its subsidiaries (collectively as the “Group”) for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016 as follows:

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the year ended 31 December 2017*

	<i>Note</i>	<b>2017</b> <b><i>HK\$'000</i></b>	<b>2016</b> <b><i>HK\$'000</i></b>
Revenue	2	<b>46,243</b>	41,294
Cost of sales	4	<b>(7,499)</b>	(4,305)
Gross profit		<b>38,744</b>	36,989
Other income, gains/losses, net	3	<b>11,193</b>	2,297
Changes in fair value of investment properties		<b>158,770</b>	214,266
General and administrative expenses	4	<b>(19,471)</b>	(7,648)
Operating profit		<b>189,236</b>	245,904
Finance expenses	5	<b>(3,614)</b>	(44)
Profit before income tax		<b>185,622</b>	245,860
Income tax expenses	6	<b>(4,895)</b>	(5,015)
Profit for the year		<b>180,727</b>	240,845
Other comprehensive income		<b>—</b>	—
Profit and total comprehensive income attributable to owners of the Company		<b><u>180,727</u></b>	<b><u>240,845</u></b>
Earnings per share:			
Basic and diluted (Hong Kong cents)	8	<b><u>33.47</u></b>	<b><u>44.60</u></b>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2017*

	<i>Note</i>	<b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties		<b>1,665,740</b>	1,639,100
Property, plant and equipment		<b>12,060</b>	12,328
Deferred income tax assets		<u>—</u>	<u>—</u>
		<b>1,677,800</b>	1,651,428
<b>Current assets</b>			
Prepayments, deposits and other receivables		<b>3,910</b>	792
Tax prepayment		<b>454</b>	437
Cash and bank balances		<b>14,071</b>	30,946
		<b>18,435</b>	32,175
Assets of disposal group classified as held for sales		<u>—</u>	505,216
		<b>18,435</b>	537,391
<b>Total assets</b>		<b>1,696,235</b>	2,188,819
<b>EQUITY</b>			
Share capital		<u>—</u>	<u>—</u>
Reserves		<b>1,340,242</b>	1,005,251
<b>Total equity attributable to owners of the Company</b>		<b>1,340,242</b>	1,005,251

	<i>Note</i>	<b>2017</b> <b><i>HK\$'000</i></b>	<b>2016</b> <b><i>HK\$'000</i></b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>2,757</b>	1,134
Borrowings	9	<b>330,000</b>	330,000
		<b>332,757</b>	331,134
<b>Current liabilities</b>			
Other payables and accruals		<b>22,312</b>	64,533
Amount due to ultimate holding company		<b>336</b>	781,693
Tax payable		<b>588</b>	2,202
		<b>23,236</b>	848,428
Liabilities of disposal group classified as held for sales		<b>—</b>	4,006
		<b>23,236</b>	852,434
<b>Total liabilities</b>		<b>355,993</b>	1,183,568
<b>Net current liabilities</b>		<b>(4,801)</b>	(315,043)
<b>Total equity and liabilities</b>		<b>1,696,235</b>	2,188,819

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of the consolidated financial statements which are in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as set out below. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are stated at fair value.

Pursuant to the group organisation as set out in the section headed “History, Reorganization and Corporate Structure” in the Company’s listing prospectus dated 28 December 2017, which was completed on 15 December 2017 (the “Reorganisation”), the Company became the holding company of its subsidiaries now comprising the Group. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 16 January 2018. The consolidated financial statements of the Group have been prepared as if the Group had always been in existence throughout both years presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company pursuant to the Reorganisation.

As at 31 December 2017, the Group’s current liabilities exceeded its current assets by HK\$4,801,000 (2016: HK\$315,043,000). After taking into account the banking facilities of an amount up to HK\$500,000,000 or 50% of the market value of properties held by the Group whichever is lower, to be obtained according to the indicative loan term sheet to enable the Group to meet its liabilities as and when they fall due, the Directors believe the Group will continue as a going concern and consequently have prepared the consolidated financial statements on a going concern basis.

#### (a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017. The adoption of these amendments does not have any significant impact on the consolidated financial statements of the Group.

Amendments to HKAS 12	Income taxes: Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKAS 7	Statement of Cash Flows: Disclosure Initiative

**(b) Impact of new or revised standards and amendments to existing standards that are effective for annual periods beginning on or after 31 December 2017**

The HKICPA has issued certain new standards, interpretations and amendments which are relevant to the Group's operation but not yet effective for the year ended 31 December 2017 and the Group has not early adopted.

		<b>Effective for annual periods beginning on or after</b>
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to HKFRS 4	Insurance Contracts	1 January 2018
Amendment to HKFRS 1	First time Adoption of HKFRS	1 January 2018
Amendment to HKAS 28	Investments in Associates and Joint Ventures	1 January 2018
Amendment to HKAS 40	Transfers of Investment Property	1 January 2018
HK (IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) Interpretation 23	Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

## 2. REVENUE AND SEGMENT INFORMATION

The executive directors of the Company are the Group's chief operating decision-maker ("CODM"). The Group's management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The Group's revenue represents rental income from office properties, rental income from retail properties, rental income from industrial properties and property management fee income. An analysis of the Group's revenue is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<b>Total segment revenue</b>		
Rental income — Office properties	24,926	23,503
Rental income — Retail properties	10,224	6,810
Rental income — Industrial properties	6,182	6,758
Property management fee income	9,837	8,687
Less: Inter-segment revenue		
Property management fee income	(4,926)	(4,464)
	<u>46,243</u>	<u>41,294</u>

The CODM considers the business from service perspectives and the Group is organised into rental and property management major business segments according to the nature of services provided: rental income from office properties, rental income from retail properties, rental income from industrial properties and property management fee income.

The CODM assesses the performance of the operating segments based on the segment profit of each segment. The measurement of segment profit is profit before income tax and before items which are not specifically attributed to individual reportable segments, such as unallocated corporate income/expenses.

The unallocated corporate income/expenses represent the income/expenses that are not directly attributable to the property investment and management business.

Operating expenses are allocated to the relevant segment which is the predominant user of the services provided by the operating segment. Corporate expenses are included as unallocated costs.

For the year ended 31 December 2017, inter-segment property management fee income of HK\$4,926,000 (2016: HK\$4,464,000) was charged.

Segment assets are those operating assets that are employed by a segment in its operating activities. Segment assets are determined after deducting related allowance that are reported as direct offsets in the statement of financial position. Segment assets consist primarily of property, plant and equipment, investment properties, prepayments, deposits and other receivables and cash and bank balances.

Segment liabilities are those operating liabilities that result from the operating activities of a segment. Segment liabilities do not include other liabilities that are incurred for financing rather than operating purpose unless the segment is engaged in financing activities.

Unallocated assets represented the other corporate receivables.

Unallocated liabilities represented the amount due to ultimate holding company, the borrowings and the other corporate payables.

Additions to non-current assets comprise mainly additions to investment properties.

**(a) As at and for the year ended 31 December 2017**

The segment results for the year ended 31 December 2017 and other segment item included in the consolidated statement of comprehensive income are as follows:

	Office properties HK\$'000	Retail properties HK\$'000	Industrial properties HK\$'000	Property management HK\$'000	Total HK\$'000
Total segment revenue	24,926	10,224	6,182	9,837	51,169
Less: inter-segment revenue	—	—	—	(4,926)	(4,926)
<b>Revenue</b>	24,926	10,224	6,182	4,911	<u>46,243</u>
Segment profit	143,761	35,597	18,120	3,069	200,547
Unallocated corporate income and expenses, net					<u>(14,925)</u>
<b>Profit before income tax</b>					185,622
Income tax expenses					<u>(4,895)</u>
<b>Profit for the year</b>					<u>180,727</u>
<b>Other item</b>					
Depreciation	—	—	—	(268)	<u>(268)</u>



The segment assets and liabilities as at 31 December 2017 and addition to investment properties for the year then ended are as follows:

	Office properties HK\$'000	Retail properties HK\$'000	Industrial properties HK\$'000	Property management HK\$'000	Total HK\$'000
Segment assets	1,028,951	514,542	129,724	12,634	1,685,851
Unallocated assets					10,384
<b>Total assets</b>					<b>1,696,235</b>
Segment liabilities	(10,257)	(3,392)	(757)	(6,674)	(21,080)
Unallocated liabilities					(334,913)
<b>Total liabilities</b>					<b>(355,993)</b>
Addition to investment properties	—	—	—	—	—

**(b) As at and for the year ended 31 December 2016**

The segment results for the year ended 31 December 2016 and other segment item included in the consolidated statement of comprehensive income are as follows:

	Office properties HK\$'000	Retail properties HK\$'000	Industrial properties HK\$'000	Property management HK\$'000	Total HK\$'000
Total segment revenue	23,503	6,810	6,758	8,687	45,758
Less: inter-segment revenue	—	—	—	(4,464)	(4,464)
<b>Revenue</b>	<b>23,503</b>	<b>6,810</b>	<b>6,758</b>	<b>4,223</b>	<b>41,294</b>
Segment profit	165,272	28,835	49,858	2,714	246,679
Unallocated corporate income and expenses, net					(819)
<b>Profit before income tax</b>					<b>245,860</b>
Income tax expenses					(5,015)
<b>Profit for the year</b>					<b>240,845</b>
<b>Other item</b>					
Depreciation	—	—	—	(268)	(268)

The segment assets and liabilities as at 31 December 2016 and addition to investment properties for the year then ended are as follows:

	Office properties <i>HK\$'000</i>	Retail properties <i>HK\$'000</i>	Industrial properties <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	933,810	485,800	250,350	12,805	1,682,765
Assets of disposal group classified as held for sales	505,216	—	—	—	505,216
	1,439,026	485,800	250,350	12,805	2,187,981
Unallocated assets					838
<b>Total assets</b>					<b>2,188,819</b>
Segment liabilities	(59,834)	(3,467)	(4,484)	(7,297)	(75,082)
Liabilities of disposal group classified as held for sales	(4,006)	—	—	—	(4,006)
	(63,840)	(3,467)	(4,484)	(7,297)	(79,088)
Unallocated liabilities					(1,104,480)
<b>Total liabilities</b>					<b>(1,183,568)</b>
Addition to investment properties	330,070	199,856	99,908	—	629,834

Revenue from external customers by geographical areas is based on the geographical location of the customers. The Group's revenue for the years ended 31 December 2017 and 2016 is generated from Hong Kong in which the customers are located.

The analysis of the Group's major customers, which a single external customer has contributed 10% or more to the Group's revenue, is as follows:

	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
Customer A	<b>5,181</b>	4,934
Customer B	<b>4,800</b>	4,800
Customer C	—	12,237

The revenue contributed by the above major customers is mainly attributable to the office properties segment and property management segment in Hong Kong.

Customer C did not contribute 10% or more to the Group's revenue for the year ended 31 December 2017.

As at 31 December 2017, non-current assets of HK\$1,677,800,000 (2016: HK\$1,651,428,000) are located in Hong Kong.

### 3. OTHER INCOME, GAINS/LOSSES, NET

	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
Gain on disposal of subsidiaries ( <i>Notes (a) to (c)</i> )	<b>11,095</b>	2,297
Sundries	<b>98</b>	—
	<b>11,193</b>	2,297

#### *Note (a)*

On 27 May 2016, the Group entered into an agreement with a third party to dispose its entire interest in Integral Grow Limited ("Integral Grow"), a wholly-owned subsidiary of the Group. Integral Grow directly owned a unit of industrial property in Hong Kong. The transaction was completed on 28 June 2016. The Group recognised a gain on disposal of HK\$2,297,000 for the year ended 31 December 2016.

The following table summarises the consideration received for the disposal of Integral Grow, the fair value of net assets disposed at the disposal date and the gain on disposal.

*HK\$ '000*

**Consideration received:**

— Received by the ultimate holding company on behalf of the Group	8,380
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<b>Total consideration received</b>	8,380
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Fair value of net assets disposed	6,083
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<b>Gain on disposal</b>	<b>2,297</b>
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The fair value of net assets disposed as at the disposal date is as follows:

*HK\$ '000*

Investment property — Honour Industrial Centre	6,020
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Cash and bank balance	63
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<b>Net assets disposed</b>	<b>6,083</b>
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Analysis of net cash outflow of cash and cash equivalents in respect of the disposal of a subsidiary:

*HK\$ '000*

Cash and cash equivalents disposed	(63)
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<b>Net cash outflow from disposal of a subsidiary</b>	<b>(63)</b>
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*Note (b)*

On 7 November 2016, the Group entered into an agreement with a third party to dispose its entire interest in Fession Group Limited and its subsidiary (“Fession Group”), a wholly-owned subsidiary of the Group. Fession Group indirectly owned a unit of office property in Hong Kong. The transaction was completed on 25 January 2017. The Group recognised a gain on disposal of HK\$8,225,000 for the year ended 31 December 2017.

The following table summarises the consideration received for the disposal of Fession Group, the fair value of net assets disposed at the disposal date and the gain on disposal.

	<i>HK\$’000</i>
<b>Consideration received:</b>	
— Received by the ultimate holding company on behalf of the Group	509,503
<b>Total consideration received</b>	509,503
Fair value of net assets disposed	501,278
<b>Gain on disposal</b>	<u>8,225</u>

The fair value of net assets disposed as at the disposal date is as follows:

	<i>HK\$’000</i>
Investment property — United Centre	504,000
Other receivables/(payables), net	(2,825)
Cash and bank balance	103
<b>Net assets disposed</b>	<u>501,278</u>

Analysis of net cash outflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	<i>HK\$’000</i>
Cash and cash equivalents disposed	(103)
<b>Net cash outflow from disposal of subsidiaries</b>	<u>(103)</u>

*Note (c)*

On 2 May 2017, the Group entered into an agreement with a third party to dispose its entire interest in Pop Act Limited and its subsidiaries and Fresh One Inc. (“Pop Act”), being wholly-owned subsidiaries of the Group. Pop Act indirectly owned units of industrial property in Hong Kong. The transaction was completed on 16 May 2017. The Group recognised a gain on disposal of HK\$2,870,000 for the year ended 31 December 2017.

The following table summarises the consideration received for the disposal of Pop Act, the fair value of net assets disposed at the disposal date and the gain on disposal.

	<i>HK\$’000</i>
<b>Consideration received:</b>	
— Received by the ultimate holding company on behalf of the Group	135,326
<b>Total consideration received</b>	135,326
Fair value of net assets disposed	132,456
<b>Gain on disposal</b>	<u>2,870</u>

The fair value of net assets disposed as at the disposal date is as follows:

	<i>HK\$’000</i>
Investment properties — Entrepot Centre	132,130
Other receivables/(payables), net	(592)
Cash and bank balance	918
<b>Net assets disposed</b>	<u>132,456</u>

Analysis of net cash outflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	<i>HK\$’000</i>
Cash and cash equivalents disposed	(918)
<b>Net cash outflow from disposal of subsidiaries</b>	<u>(918)</u>

#### 4. EXPENSES BY NATURE

	2017 HK\$'000	2016 HK\$'000
Direct operating expenses arising from investment properties generating rental income ( <i>Note (a)</i> )	2,327	242
Property management fee expenses	3,579	2,526
Rates and government rent	1,593	1,537
Depreciation of property, plant and equipment	268	268
Employee benefit expenses (including directors' emoluments)	6,136	5,504
Listing expenses	10,278	760
Auditor's remuneration (excluding listing related services)		
Audit services	925	250
Non-audit services	—	—
Donation	1,000	—
Other expenses	864	866
	<u>26,970</u>	<u>11,953</u>
Total cost of sales and general and administrative expenses	<u>26,970</u>	<u>11,953</u>

*Note (a): The direct operating expenses arising from investment properties generating rental income include cleaning expenses, commission expenses and repairs and maintenance expenses.*

#### 5. FINANCE EXPENSES

	2017 HK\$'000	2016 HK\$'000
Interest expenses on borrowings	<u>3,614</u>	<u>44</u>

#### 6. INCOME TAX EXPENSES

	2017 HK\$'000	2016 HK\$'000
Hong Kong Profits Tax	3,363	4,895
Over-provision in prior years	(91)	—
Deferred income tax expense	<u>1,623</u>	<u>120</u>
	<u>4,895</u>	<u>5,015</u>

For the year ended 31 December 2017, Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit. No overseas profits tax have been calculated as the group companies incorporated in the British Virgin Islands or the Cayman Islands are exempted from tax.

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

	<b>2017</b> <b>HK\$'000</b>	2016 HK\$'000
Profit before income tax	<u>185,622</u>	<u>245,860</u>
Calculated at a tax rate of 16.5%	<b>30,628</b>	40,567
Income not subject to taxation	<b>(28,206)</b>	(35,761)
Expenses not deductible for taxation purposes	<b>3,151</b>	146
Tax losses not recognised	<b>289</b>	189
Utilisation of tax losses previously not recognised	<b>(700)</b>	—
Temporary differences not recognised	<b>34</b>	14
Over-provision in prior years	<b>(91)</b>	—
Tax deduction	<u><b>(210)</b></u>	<u>(140)</u>
Income tax expenses	<u><b>4,895</b></u>	<u><b>5,015</b></u>

## 7. DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2017 (2016: Nil).

## 8. EARNINGS PER SHARE — BASIC AND DILUTED

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed on 15 December 2017 and the capitalisation issue which took place on 16 January 2018.

	<b>2017</b>	2016
Profit attributable to owners of the Company (HK\$'000)	<b>180,727</b>	240,825
Weighted average number of ordinary shares in issue (thousands)	<u><b>540,000</b></u>	<u>540,000</u>
Basic earnings per share (Hong Kong cents)	<u><b>33.47</b></u>	<u>44.60</u>

### (b) Diluted earnings per share

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive ordinary shares outstanding as at 31 December 2016 and 2017.



## 9. BORROWINGS

The borrowings represent a long-term loan from a financial institution which will mature in 2019 and are interest bearing at the rate of one-month Hong Kong Interbank Offered Rate (“HIBOR”) at the end of each month plus 0.5% per annum as at 31 December 2017 (2016: one-month HIBOR at the end of each month plus 0.5% per annum). The loan was secured by the unlimited personal guarantee of Mr. Wong Chung Tak Richard, ultimate controlling shareholder of the Group, as at 31 December 2017 and 2016. The unlimited personal guarantee was released and replaced by guarantees of the Company upon the listing of the Company.

The Group’s borrowings were repayable as follows:

	<b>2017</b> <b>HK\$’000</b>	<b>2016</b> <b>HK\$’000</b>
Between 1 and 2 years	<b>330,000</b>	—
Between 2 and 5 years	—	330,000
	<hr/>	<hr/>
Total	<b>330,000</b>	330,000
	<hr/> <hr/>	<hr/> <hr/>

The exposure of the Group’s borrowings to interest rate changes and the contractual repricing dates at the end of the years are as follows:

	<b>2017</b> <b>HK\$’000</b>	<b>2016</b> <b>HK\$’000</b>
6 months or less	<b>330,000</b>	330,000
	<hr/>	<hr/>
Total	<b>330,000</b>	330,000
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts of the Group’s borrowings approximated their fair value as the impact of discounting is not significant.

The carrying amounts of the Group’s borrowings are all denominated in Hong Kong dollars. The Group has no undrawn borrowing facilities as at 31 December 2017 and 2016.

## **CHAIRMAN’S STATEMENT**

On behalf of the board (the “Board”) of directors (the “Directors”) of Thing On Enterprise Limited (the “Company”) and its subsidiaries (the “Group”), I would like to present to the shareholders of the Company the annual results and consolidated financial statements of the Group for the year ended 31 December 2017.

The shares of the Company were successfully listed (the “Listing”) on the Main Board of The Stock Exchange of Hong Kong (the “Stock Exchange”) on 16 January 2018 (the “Listing Date”). The net proceeds received by the Company were approximately HK\$194.0 million, after deducting the underwriting fees and commissions and other related listing expenses borne by the Group. The Directors believe that the Listing facilitates the implementation of business strategies for continued growth and further business expansion, which will increase and diversify revenue of the Group.

The Group engages in property investment business in Hong Kong with a principal focus on office, retail and industrial properties leasing and in the property management business. Its investment property portfolio covers Grade A office space in core business areas, retail shops in prime urban areas, and industrial building units in a developed urban area.

The Group recorded rental income and property management fee income of approximately HK\$41.3 million and HK\$4.9 million respectively for the year ended 31 December 2017. The gross profit was approximately HK\$38.7 million. Profit for the year attributable to owners of the Company was approximately HK\$180.7 million.

## **OUTLOOK**

The Listing marked a meaningful and significant milestone of the Group. As stated in the prospectus of the Company dated 28 December 2017 (the “Prospectus”), the Group will continue to enhance its market position by increasing its rental income, pursuing property enhancement activities and expanding and strengthening its value-added property management services to its tenants and to other independent property owners.

The Group has been using Hong Kong as its major property investment market. Therefore, the Group’s performance is very dependent on the performance of the local market. To avoid the single market from adversely affecting the performance of the Group, the Group has also started to actively consider looking for quality properties in other international cities outside Hong Kong to reduce the risk of the Group relying on a single market as well as to further explore sources of revenue.

In order to bring returns to our shareholders, the Company is also proactively considering to expand its business activities including, but not limited to, investments in financial assets and provision of financial services.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to express my sincere appreciation to tenants, suppliers, other business partners and shareholders for their continuous support. I would like to also thank the management team and all staff members for their contribution during the year.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group engages in property investment business in Hong Kong with a principal focus on office, retail and industrial properties leasing and in the property management business. Its investment property portfolio covers Grade A office space in core business areas, retail shops in prime urban areas, and industrial building units in a developed urban area.

The Group recorded rental income of approximately HK\$41.3 million for the year ended 31 December 2017, of which approximately HK\$24.9 million or 60.3% was derived from rental of office properties, approximately HK\$10.2 million or 24.7% was derived from rental of retail properties and approximately HK\$6.2 million or 15.0% was derived from rental of industrial properties.

The Group extended the provision and scope of property management services to other property owners which are independent third parties for property management fees in January 2016. For the year ended 31 December 2017, the Group recorded property management fee income of approximately HK\$4.9 million. The property management fee income contributed approximately 10.6% of the Group's total revenue for the year ended 31 December 2017.

### **INVESTMENT PROPERTY PORTFOLIO**

As at 31 December 2017, the Group owned an investment property portfolio of 36 properties.

The aggregate saleable area of the properties was approximately 92,136 sq.ft. as at 31 December 2017, of which approximately 39.1%, 15.1% and 38.0% was derived from office, retail and industrial properties located in Hong Kong Island, respectively, and 7.8% was derived from retail properties located in Kowloon.

The total value of the properties attributable to the Group was approximately HK\$1,655.7 million as at 31 December 2017, of which approximately 61.5%, 22.8% and 7.7% was derived from the type of office, retail and industrial properties located in Hong Kong Island, respectively, and 8.0% was derived from retail properties located in Kowloon.

### **FINANCIAL REVIEW**

The revenue and cost of sales for the year ended 31 December 2017 were approximately HK\$46.2 million and HK\$7.5 million (2016: HK\$41.3 million and HK\$4.3 million), respectively. The gross profit for the year ended 31 December 2017 was approximately HK\$38.7 million (2016: HK\$37.0 million). Profit for the year attributable to owners of the Company has decreased by approximately HK\$60.1 million from approximately HK\$240.8 million for the year ended 31 December 2016 to HK\$180.7 million for the year ended 31 December 2017, which was mainly due to (i) the one-off listing expenses of approximately HK\$10.3 million and (ii) decrease in fair value gain of the Group's investment properties of approximately HK\$55.5 million.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2017, cash and bank balances of the Group amounted to approximately HK\$14.1 million (2016: HK\$30.9 million). The current ratio (current assets divided by current liabilities) of the Group was 0.8 as at 31 December 2017 (2016: 0.6).

As at 31 December 2017, the Group had a long-term loan of HK\$330 million (2016: HK\$330 million) which will mature in 2019. The gearing ratio of the Group calculated as a ratio of net debt (representing borrowings less cash and bank balances) to total equity was 23.6% (2016: 29.7%).

## **FOREIGN EXCHANGE EXPOSURE**

The Group's revenue generating activities and borrowings were transacted in Hong Kong Dollar, which is the functional and presentation currency of the Group. The Board considers that the Group was not exposed to significant foreign exchange risk, and had not employed any financial instrument for hedging. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging where necessary.

## **FINAL DIVIDEND**

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017 (for the year ended 31 December 2016: Nil).

## **CONTINGENT LIABILITIES**

As at 31 December 2017, the Group had no significant contingent liabilities (2016: Nil).

## **CAPITAL COMMITMENTS**

As at 31 December 2017, the Group had no significant capital commitments (2016: Nil).

## **SIGNIFICANT INVESTMENTS**

As at 31 December 2017, the Group did not have any significant investment plans (2016: Nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2017, the Group has 15 employees (2016: 15 employees). The Group entered into employment contracts with all its employees. Apart from salary remuneration and overtime compensation, employees are entitled to medical insurance coverage and retirement benefits under the mandatory provident fund scheme in which the Group participates. In addition, the Company granted discretionary bonuses to qualified employees, based on its operation results and individual performance. The Company had also adopted a share option scheme.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

Save for the reorganisation of the Group as described in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus and the notes to the consolidated financial statements, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2016 and 31 December 2017.

## **USE OF PROCEEDS FROM THE LISTING**

The shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date. Based on the offer price of HK\$1.24 per offer share, the net proceeds from the global offering received by the Company, after deducting the underwriting fees and commissions and estimated expenses in relation to the global offering borne by the Company, were approximately HK\$194.0 million. Since the Listing Date and up to the date of this announcement, the Company has not utilized any net proceeds raised from the global offering of the Company. Such net proceeds are intended to be applied in accordance with the proposed applications as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

## **CORPORATE GOVERNANCE PRACTICE**

The Company has adopted the code provisions set out in the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as its own code of corporate governance.

As the shares of the Company were only listed on the Stock Exchange since the Listing Date, the code provisions set out in the CG Code were not applicable to the Company during the year ended 31 December 2017.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities since the Listing Date and up to the date of this announcement.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures of the Group’s result for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Wednesday, 16 May 2018, the register of members of the Company will be closed from Thursday, 10 May 2018 to Wednesday, 16 May 2018, both days inclusive, during the period no transfer of shares will be registered. All transfers accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m on Wednesday, 9 May 2018.

## **REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE**

The Company has established an audit committee (the "Audit Committee") on 15 December 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three members, namely Ms. Chan Kam Ping, Mr. Wong King Wai Kirk and Mr. Wen Cyrus Jun-ming. Ms. Chan Kam Ping is the chairman of the Audit Committee. The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 December 2017.

By order of the Board  
**Thing On Enterprise Limited**  
**Wong Chung Tak Richard**  
*Chairman*

Hong Kong, 8 March 2018

*As at the date of this announcement, the Board comprises Mr. Wong Chung Tak Richard as the chairman of the Board and a non-executive Director; Mr. Wong Ka Yeung Roland and Ms. Chan Choi Wan Rolie as executive Directors; and Ms. Chan Kam Ping, Mr. Wong King Wai Kirk and Mr. Wen Cyrus Jun-ming as independent non-executive Directors.*