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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 2018

FINANCIAL HIGHLIGHTS			
	For the year ended 31 December		
	2018	2017	Change
	HK\$'000	HK\$'000	%
Revenue	41,185	46,243	(10.94)
Gross profit	35,227	38,744	(9.08)
Profit before income tax	54,255	185,622	(70.77)
Profit for the year attributable to owners of the Company (Excluding changes in fair value of investment properties charged to profit or loss)	11,426	21,957	(47.96)

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 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the year ended 31 December 2018*

		2018	2017
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	41,185	46,243
Cost of sales	4	(5,958)	(7,499)
Gross profit		35,227	38,744
Other income, gains/(losses), net	3	4,520	11,193
Changes in fair value of investment properties		39,116	158,770
General and administrative expenses	4	(18,157)	(19,471)
Operating profit		60,706	189,236
Finance expenses	5	(6,451)	(3,614)
Profit before income tax		54,255	185,622
Income tax expenses	6	(3,713)	(4,895)
Profit for the year		50,542	180,727
Other comprehensive income		—	—
Profit and total comprehensive income attributable to owners of the Company		<u>50,542</u>	<u>180,727</u>
Earnings per share:			
Basic and diluted (Hong Kong cents)	8	<u>7.09</u>	<u>33.47</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<i>Note</i>	2018 HK\$'000	2017 HK\$'000
ASSETS			
Non-current assets			
Investment properties		1,735,813	1,665,740
Property, plant and equipment		11,792	12,060
		1,747,605	1,677,800
Current assets			
Trade receivables, prepayments, deposits and other receivables	9	5,628	3,910
Tax prepayment		889	454
Cash and bank balances		158,318	14,071
		164,835	18,435
Total assets		1,912,440	1,696,235
EQUITY			
Share capital		36	—
Reserves		1,604,102	1,340,242
Total equity attributable to owners of the Company		1,604,138	1,340,242

	<i>Note</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		3,872	2,757
Borrowings	<i>10</i>	<u>—</u>	<u>330,000</u>
		3,872	332,757
Current liabilities			
Other payables and accruals		12,807	22,312
Amount due to ultimate holding company		<u>—</u>	<u>336</u>
Borrowings	<i>10</i>	290,267	—
Tax payable		1,356	588
		304,430	23,236
Total liabilities		308,302	355,993
Net current liabilities		(139,595)	(4,801)
Total equity and liabilities		1,912,440	1,696,235

NOTES

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 also comply with the applicable requirements of the Hong Kong Companies Ordinance (Cap. 622) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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, Reorganisation 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 2018, the Group’s current liabilities exceeded its current assets by HK\$139,595,000 (2017: HK\$4,801,000). After taking into account a banking facility to be obtained according to the indicative loan term sheet and the proceeds to be generated from the disposal of Wealth Range Limited (“Wealth Range”), a wholly-owned subsidiary of the Company which owned units of industrial property in Hong Kong and details of which can be referred to Note 11, 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 2018. The adoption of these amendments does not have any significant impact on the consolidated financial statements of the Group.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 1	First-time Adoption of HKFRSs
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Insurance Contracts
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration

(b) Impact of new or revised standards and amendments to existing standards that are effective for annual periods beginning on or after 31 December 2018

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 2018 and the Group has not early adopted.

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
Amendments to HKAS 19	Plan Amendment, Curtailement or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
HK (IFRIC) Interpretation 23	Uncertainty Over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015-2017 cycle	Annual Improvements to HKFRSs 2015-2017 cycle	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Total segment revenue		
Rental income — Office properties	24,097	24,926
Rental income — Retail properties	11,335	10,224
Rental income — Industrial properties	623	6,182
Property management fee income	14,545	9,837
Less: Inter-segment revenue		
Property management fee income	(9,415)	(4,926)
	<u>41,185</u>	<u>46,243</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 2018, inter-segment property management fee income of HK\$9,415,000 (2017: HK\$4,926,000) 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, trade receivables, prepayments, deposits and other receivables and cash and bank balances, excluding bank deposits with original maturities over three months.

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 and bank deposits with original maturities over three months.

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 2018

The segment results for the year ended 31 December 2018 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	24,097	11,335	623	14,545	50,600
Less: inter-segment revenue	—	—	—	(9,415)	(9,415)
Revenue	24,097	11,335	623	5,130	<u>41,185</u>
Segment profit	42,049	12,628	2,236	6,274	63,187
Unallocated corporate income and expenses, net					<u>(8,932)</u>
Profit before income tax					54,255
Income tax expenses					<u>(3,713)</u>
Profit for the year					<u>50,542</u>
Other item					
Depreciation	—	—	—	(268)	<u>(268)</u>

The segment assets and liabilities as at 31 December 2018 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	1,086,886	519,656	133,023	12,790	1,752,355
Unallocated assets					160,085
Total assets					1,912,440
Segment liabilities	(11,661)	(3,582)	(181)	(20)	(15,444)
Unallocated liabilities					(292,858)
Total liabilities					(308,302)
Addition to investment properties	30,957	—	—	—	30,957

(b) 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)
Revenue	24,926	10,224	6,182	4,911	46,243
Segment profit	143,761	35,597	18,120	3,069	200,547
Unallocated corporate income and expenses, net					(14,925)
Profit before income tax					185,622
Income tax expenses					(4,895)
Profit for the year					180,727
Other item					
Depreciation	—	—	—	(268)	(268)

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 <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	1,028,951	514,542	129,724	12,634	1,685,851
Unallocated assets					10,384
Total assets					1,696,235
Segment liabilities	(10,257)	(3,392)	(757)	(6,674)	(21,080)
Unallocated liabilities					(334,913)
Total liabilities					(355,993)
Addition to investment properties	—	—	—	—	—

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 2018 and 2017 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Customer A	5,429	5,181
Customer B	—	4,800

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

Customer B did not contribute 10% or more to the Group's revenue for the year ended 31 December 2018.

As at 31 December 2018, non-current assets of HK\$1,747,605,000 (2017: HK\$1,677,800,000) are located in Hong Kong.

3 OTHER INCOME, GAINS/(LOSSES), NET

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Gain on disposal of subsidiaries (<i>Notes (a) and (b)</i>)	—	11,095
Bank interest income	4,488	—
Sundries	32	98
	<u>4,520</u>	<u>11,193</u>

Note (a)

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”), being wholly-owned subsidiaries of the Group. Fession Group 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 as at the disposal date and the gain on disposal.

	<i>HK\$'000</i>
Consideration received:	
— Received by ultimate holding company on behalf of the Group	509,503
Total consideration received	509,503
Fair value of net assets disposed	(501,278)
Gain on disposal	<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
Net assets disposed	<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)
Net cash outflow from disposal of subsidiaries	<u>(103)</u>

Note (b)

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 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 as at the disposal date and the gain on disposal.

	<i>HK\$'000</i>
Consideration received:	
— Received by ultimate holding company on behalf of the Group	135,326
Total consideration received	135,326
Fair value of net assets disposed	(132,456)
Gain on disposal	<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
Net assets disposed	<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)
Net cash outflow from disposal of subsidiaries	<u>(918)</u>

4 EXPENSES BY NATURE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Direct operating expenses arising from investment properties generating rental income (<i>Note</i>)	998	2,327
Property management fee expenses	3,569	3,579
Rates and government rent	1,391	1,593
Depreciation of property, plant and equipment	268	268
Employee benefit expenses (including directors' emoluments)	7,746	6,136
Listing expenses	6,251	10,278
Auditor's remuneration (excluding listing related services)		
Audit services	1,320	925
Non-audit services	200	—
Legal and professional expenses	1,407	67
Donation	—	1,000
Other expenses	965	797
	<hr/>	<hr/>
Total cost of sales and general and administrative expenses	24,115	26,970

Note:

The direct operating expenses arising from investment properties generating rental income mainly include cleaning expenses, commission expenses and repairs and maintenance expenses.

5 FINANCE EXPENSES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest expenses on borrowings	6,451	3,614
	<hr/>	<hr/>

6 INCOME TAX EXPENSES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong Profits Tax	2,736	3,363
Over-provision in prior years	(138)	(91)
Deferred income tax expense	1,115	1,623
	<hr/>	<hr/>
	3,713	4,895

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying corporation under Hong Kong Profits Tax will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%.

For the year ended 31 December 2018, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The assessable profits of other entities of the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5%.

For the year ended 31 December 2017, Hong Kong Profits Tax was provided at a rate of 16.5% on the estimated assessable profits.

For the years ended 31 December 2018 and 2017, 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:

	2018 HK\$’000	2017 HK\$’000
Profit before income tax	<u>54,255</u>	<u>185,622</u>
Calculated at a tax rate of 16.5%	8,952	30,628
Income not subject to taxation	(7,195)	(28,206)
Expenses not deductible for taxation purposes	2,227	3,195
Effect of different tax rate of a subsidiary	(165)	—
Tax losses not recognised	423	289
Utilisation of tax losses previously not recognised	(391)	(700)
Temporary differences not recognised	—	(10)
Over-provision in prior years	(138)	(91)
Tax deduction	<u>—</u>	<u>(210)</u>
Income tax expenses	<u>3,713</u>	<u>4,895</u>

7 DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2018 (2017: 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.

	2018	2017
Profit attributable to owners of the Company (HK\$'000)	50,542	180,727
Weighted average number of ordinary shares in issue (thousands)	712,603	540,000
Basic earnings per share (Hong Kong cents)	7.09	33.47

(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 2018 and 2017.

9 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables	648	—
Prepayments, deposits and other receivables	4,980	3,910
	5,628	3,910

Trade receivables represent property management fee receivable. The Group normally does not grant credit period to its trade customers. The ageing analysis of the trade receivables based on invoice date is as follows:

	2018 HK\$'000	2017 HK\$'000
Within 30 days	648	—

The Group does not hold any collateral as security, except that the Group holds rental deposits from tenants for leasing of properties.

The carrying amounts of trade receivables, prepayments, deposits and other receivables approximate their fair values and are denominated in Hong Kong dollars.

10 BORROWINGS

As at 31 December 2018, the borrowings represent the current portion of borrowings from Good Shot Limited, a wholly-owned subsidiary of Thing On Group Limited, the controlling shareholder of the Company, which will mature in October 2019 and is interest bearing at the rate of one-month Hong Kong Interbank Offered Rate (“HIBOR”) plus 0.4% per annum. The loan was secured by corporate guarantees of the Company as at 31 December 2018.

As at 31 December 2017, the borrowings represented a long-term loan from a financial institution which would mature in December 2019 and was interest bearing at the rate of one-month HIBOR plus 0.5% per annum. The loan was secured by the unlimited personal guarantee of Mr. Wong Chung Tak Richard as at 31 December 2017. The unlimited personal guarantee was released and replaced by guarantees of the Company upon the listing of the Company. On 7 May 2018, the loan was early settled and refinanced by the above new borrowings.

The Group’s borrowings were repayable as follows:

	2018 HK\$’000	2017 HK\$’000
Within 1 year	290,267	—
Between 1 and 2 years	—	330,000
	<hr/>	<hr/>
Total	290,267	330,000
	<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:

	2018 HK\$’000	2017 HK\$’000
6 months or less	290,267	330,000
	<hr/>	<hr/>

The carrying amounts of the Group’s borrowings approximate 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 HK\$709,733,000 (2017: Nil) undrawn borrowing facilities as at 31 December 2018.

11 SUBSEQUENT EVENTS

On 25 February 2019, the Company entered into an agreement (the “Agreement”) with an independent third party (the “Purchaser”) to dispose its entire interest in Wealth Range and its amounts due to the Company as at the date of the Agreement at a consideration of HK\$135,000,000. Wealth Range owned units of industrial property in Hong Kong. Deposits of HK\$27,000,000 were paid by the Purchaser as at the date of the Agreement. The transaction is expected to be completed on or before 28 June 2019. Details of the transaction were announced by the Company on 25 February 2019.

CHAIRMAN’S STATEMENT

On behalf of the board (the “Board”) of directors (the “Directors”) of Thing On Enterprise Limited (the “Company”) and its subsidiaries (collectively as the “Group”), I would like to present to the shareholders of the Company (the “Shareholders”) the annual results and consolidated financial statements of the Group for the year ended 31 December 2018.

The shares of the Company (the “Shares”) were successfully listed (the “Listing”) on the Main Board of The Stock Exchange of Hong Kong Limited (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\$36.1 million and HK\$5.1 million respectively for the year ended 31 December 2018. The gross profit was approximately HK\$35.2 million. Profit for the year attributable to owners of the Company was approximately HK\$50.5 million.

OUTLOOK

China and the United States have been engaged in a trade war since 2018, and has threatened to destabilize the global economy. The uncertainties around the global economy may increase the risk of slowdown in economic growth. Hong Kong has been the Group’s major property investment market, and the potential slowdown will inevitably influence the Group. The Group expects some instability in the property investment market for the coming two to three years, and shall take a more conservative approach in evaluating investment properties. While the Group endeavors to steadily improve its performance in Hong Kong, it has also started to actively seek for quality properties in Hong Kong, China and other international cities to reduce the risk of the Group relying on a single market, as well as to further explore sources of revenue in the overseas markets. The Group will pay close attention to the latest market changes and arrange appropriate strategic adjustments to the Group’s assets portfolio to minimize the effect brought by the instability of the global economy.

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\$36.1 million for the year ended 31 December 2018 (2017: HK\$41.3 million), of which approximately HK\$24.1 million or 66.8% (2017: HK\$24.9 million or 60.3%) was derived from rental of office properties, approximately HK\$11.4 million or 31.5% (2017: HK\$10.2 million or 24.7%) was derived from rental of retail properties and approximately HK\$0.6 million or 1.7% (2017: HK\$6.2 million or 15.0%) was derived from rental of industrial properties. For the year ended 31 December 2018, the Group recorded property management fee income of approximately HK\$5.1 million (2017: HK\$4.9 million). The property management fee income contributed approximately 12.4% (2017: 10.6%) of the Group's total revenue for the year ended 31 December 2018.

In order to facilitate the expansion of the Group's business activities in property investment in other countries outside Hong Kong as well as investments in financial assets and provision of financial services so as to further explore sources of revenue, Good Shot Limited, a wholly-owned subsidiary of Thing On Group Limited, the controlling shareholder of the Company, agreed to make available to the Group (i) an unsecured revolving loan facility of up to HK\$400.0 million and (ii) an unsecured revolving loan facility of up to HK\$600.0 million both for a term of 18 months from 25 April 2018 at interest rate more favourable than market rate.

INVESTMENT PROPERTY PORTFOLIO

As at 31 December 2018, the Group owned an investment property portfolio of 37 (2017: 36) properties.

The aggregate saleable area of the properties was approximately 93,711 sq.ft. (2017: 92,136 sq.ft.) as at 31 December 2018, of which approximately 38.5% (2017: 39.1%), 14.8% (2017: 15.1%) and 37.3% (2017: 38.0%) was derived from office, retail and industrial properties located in Hong Kong Island, respectively, and 1.7% (2017: Nil) and 7.7% (2017: 7.8%) was derived from office and retail properties located in Kowloon, respectively.

The total value of the properties attributable to the Group was approximately HK\$1,735.8 million (2017: HK\$1,665.7 million) as at 31 December 2018, of which approximately 60.7% (2017: 61.5%), 22.0% (2017: 22.8%) and 7.6% (2017: 7.7%) was derived from office, retail and industrial properties located in Hong Kong Island, respectively, and 1.9% (2017: Nil) and 7.8% (2017: 8.0%) was derived from office and retail properties located in Kowloon, respectively.

FINANCIAL REVIEW

The revenue and cost of sales for the year ended 31 December 2018 were approximately HK\$41.2 million and HK\$6.0 million (2017: HK\$46.2 million and HK\$7.5 million), respectively. The decrease in revenue of approximately HK\$5.0 million was primarily attributable to the decrease in rental income from industrial properties of approximately HK\$5.6 million mainly due to one property located in Hong Kong Island being vacant since February 2018.

The gross profit for the year ended 31 December 2018 was approximately HK\$35.2 million (2017: HK\$38.7 million). Profit for the year attributable to owners of the Company has decreased by approximately HK\$130.2 million from approximately HK\$180.7 million for the year ended 31 December 2017 to approximately HK\$50.5 million for the year ended 31 December 2018, which was mainly due to (i) the decrease in changes in fair value of investment properties from approximately HK\$158.8 million for the year ended 31 December 2017 to approximately HK\$39.1 million for the year ended 31 December 2018; and (ii) the one-off gain on disposal of subsidiaries of approximately HK\$11.1 million for the year ended 31 December 2017 which did not recur in the year ended 31 December 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, cash and bank balances of the Group amounted to approximately HK\$158.3 million (2017: HK\$14.1 million). The current ratio (current assets divided by current liabilities) of the Group was approximately 0.5 as at 31 December 2018 (2017: 0.8).

As at 31 December 2018, the Group did not have any long-term loan outstanding due to the early settlement of the loan during the year (2017: HK\$330.0 million) while the short-term loan outstanding amounted to approximately HK\$290.3 million (2017: Nil) which will mature within one year. The gearing ratio of the Group calculated as a ratio of net debt (representing borrowings less cash and bank balances) to total equity was approximately 8.2% (2017: 23.6%).

FINAL DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no significant contingent liabilities (2017: Nil).

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had no significant capital commitments (2017: Nil).

SIGNIFICANT INVESTMENTS

As at 31 December 2018, the Group did not have any significant investment plans (2017: Nil).

EVENT AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in Note 11, there has been no significant event occurring after the end of the reporting period.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group has 18 employees (2017: 16 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

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures for the year ended 31 December 2018.

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 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, (i) approximately HK\$31.0 million has been used for acquisition of new investment property to the Group's existing investment property portfolio; (ii) approximately HK\$9.7 million has been used for the expansion and strengthening of the Group's value-added property management services; and (iii) approximately HK\$9.7 million has been used for working capital and other general corporate purposes. The unutilized net proceeds is approximately HK\$143.6 million.

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.

During the period from the Listing Date and up to 31 December 2018, the Company was in compliance with all relevant code provisions set out in the CG Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date and up to 31 December 2018.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures of the Group's result for the year ended 31 December 2018 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, 8 May 2019, the register of members of the Company will be closed from Thursday, 2 May 2019 to Wednesday, 8 May 2019, 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 Tuesday, 30 April 2019.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Company 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 audited consolidated financial statements of the Group for the year ended 31 December 2018.

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

Hong Kong, 5 March 2019

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.