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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 2019

FINANCIAL HIGHLIGHTS			
	For the year ended 31 December		
	2019	2018	Change
	HK\$'000	HK\$'000	%
Revenue	43,961	41,185	6.74
Gross profit	38,294	35,227	8.71
(Loss)/profit before income tax	(182,561)	54,255	(436.49)
Profit for the year attributable to owners of the Company (Excluding the changes in fair value of investment properties charged to profit or loss)	22,093	11,426	93.4

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Thing On Enterprise Limited (the “Company”) presents the consolidated results of the Company and its subsidiaries (collectively as the “Group”) for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the year ended 31 December 2019*

	<i>Note</i>	2019 HK\$'000	2018 <i>HK\$'000</i>
Revenue	2	43,961	41,185
Cost of sales	4	(5,667)	(5,958)
Gross profit		38,294	35,227
Other income, gains, net	3	5,804	4,520
Changes in fair value of investment properties		(207,990)	39,116
General and administrative expenses	4	(13,472)	(18,157)
Operating (loss)/profit		(177,364)	60,706
Finance expenses	5	(5,197)	(6,451)
(Loss)/profit before income tax		(182,561)	54,255
Income tax expenses	6	(3,336)	(3,713)
(Loss)/profit for the year		(185,897)	50,542
Other comprehensive income		—	—
(Loss)/profit and total comprehensive (expenses)/income attributable to owners of the Company		(185,897)	50,542
(Loss)/earnings per share:			
Basic and diluted (Hong Kong cents)	8	(25.82)	7.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000
ASSETS			
Non-current assets			
Investment properties		1,395,823	1,735,813
Property, plant and equipment		11,524	11,792
Prepayments		6,015	—
Deferred income tax assets		167	—
		1,413,529	1,747,605
Current assets			
Trade receivables, prepayments, deposits and other receivables	9	4,303	5,628
Tax prepayment		50	889
Cash and bank balances		148,855	158,318
		153,208	164,835
Total assets		1,566,737	1,912,440
EQUITY			
Share capital		36	36
Reserves		1,418,205	1,604,102
Total equity attributable to owners of the Company		1,418,241	1,604,138

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		4,429	3,872
Current liabilities			
Other payables and accruals		13,603	12,807
Borrowings	<i>10</i>	128,167	290,267
Tax payable		2,297	1,356
		144,067	304,430
Total liabilities		148,496	308,302
Net current assets/(liabilities)		9,141	(139,595)
Total equity and liabilities		1,566,737	1,912,440

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”) are 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 “Stock Exchange”). 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.

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.

(a) New and amended standards adopted by the Group

The accounting standards and amendments used in the preparation of the consolidated financial information are consistent with those set out in the 2019 financial statements, except for the adoption of the following amendments to existing standards and adoption of new HKFRS issued by the HKICPA:

HKFRS 16	Leases
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
HK (IFRIC) Interpretation 23	Uncertainty Over Income Tax Treatments
Annual Improvements to HKFRSs 2015-2017 cycle	Annual Improvements to HKFRSs 2015-2017 cycle

(b) Impact of new or revised standards and amendments to existing standards issued but not yet applied by the Group

The HKICPA has issued certain new standards and amendments which are relevant to the Group’s operation but not yet effective for the annual period beginning on 1 January 2019 and the Group has not early adopted.

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Definition of Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKAS 39, HKFRS 7 and HKAS 9	Hedge accounting	1 January 2020
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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Total segment revenue		
Rental income — Office properties	26,773	24,097
Rental income — Retail properties	11,529	11,335
Rental income — Industrial properties	—	623
Property management fee income	15,442	14,545
Less: Inter-segment revenue		
Property management fee income	(9,783)	(9,415)
	<u>43,961</u>	<u>41,185</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 (loss)/profit of each segment. The measurement of segment (loss)/profit is (loss)/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 2019, inter-segment property management fee income of HK\$9,783,000 (2018: HK\$9,415,000) 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, deferred income tax assets, 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 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 2019

The segment results for the year ended 31 December 2019 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	26,773	11,529	—	15,442	53,744
Less: inter-segment revenue	—	—	—	(9,783)	(9,783)
Revenue	26,773	11,529	—	5,659	43,961
Segment (loss)/profit	(114,015)	(73,338)	(522)	5,356	(182,519)
Unallocated corporate income and expenses, net					(42)
Loss before income tax					(182,561)
Income tax expenses					(3,336)
Loss for the year					(185,897)
Other item					
Depreciation	—	—	—	(268)	(268)

The segment assets and liabilities as at 31 December 2019 are as follows:

	Office properties HK\$'000	Retail properties HK\$'000	Industrial properties HK\$'000	Property management HK\$'000	Total HK\$'000
Segment assets	959,931	445,943	—	11,979	1,417,853
Unallocated assets					148,884
Total assets					1,566,737
Segment liabilities	(14,536)	(3,669)	—	(1,056)	(19,261)
Unallocated liabilities					(129,235)
Total liabilities					(148,496)

(b) 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	41,185
Segment profit	42,049	12,628	2,236	6,274	63,187
Unallocated corporate income and expenses, net					(8,932)
Profit before income tax					54,255
Income tax expenses					(3,713)
Profit for the year					50,542
Other item					
Depreciation	—	—	—	(268)	(268)

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 <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	1,086,886	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

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 2019 and 2018 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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A	5,432	5,429

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

As at 31 December 2019, non-current assets of HK\$1,413,362,000 (2018: HK\$1,747,605,000) other than deferred income tax assets are located in Hong Kong.

3 OTHER INCOME, GAINS, NET

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank interest income	3,992	4,488
Gain on disposal of a subsidiary (<i>Note</i>)	1,812	—
Sundries	—	32
	<u>5,804</u>	<u>4,520</u>

Note:

On 25 February 2019, the Group entered into an agreement with a third party to dispose its entire interest in Wealth Range Limited (“Wealth Range”), being a wholly-owned subsidiary of the Group. Wealth Range owned units of industry property in Hong Kong. The transaction was completed on 28 June 2019. The Group recognised a gain on disposal of HK\$1,812,000 for the year ended 31 December 2019.

The following table summarises the consideration received for the disposal of Wealth Range, the fair value of net assets disposed and transfer of shareholder loan at the disposal date, transaction costs incurred and the gain on disposal.

	<i>HK\$'000</i>
Total consideration received	135,773
Fair value of net assets disposed	(42,986)
Transfer of shareholder loan	(89,776)
Transaction costs	(1,199)
Gain on disposal	<u>1,812</u>

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

	<i>HK\$'000</i>
Investment properties	132,000
Tax prepayment	483
Other receivable	290
Deferred tax liabilities	(11)
Amount due to immediate holding company	(89,776)
Net assets disposed	<u>42,986</u>

Analysis of net cash inflow of cash and cash equivalents in respect of the disposal of a subsidiary:

	<i>HK\$'000</i>
Cash consideration	135,773
Less: Transaction costs	(1,199)
Net cash inflow from disposal of a subsidiary	<u>134,574</u>

4 EXPENSES BY NATURE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Auditor's remuneration (excluding listing related services)		
Audit services	1,173	1,320
Non-audit services	200	200
Depreciation of property, plant and equipment	268	268
Direct operating expenses arising from investment properties generating rental income (<i>Note</i>)	586	998
Employee benefit expenses (including Directors' emoluments)	9,757	7,746
Impairment loss of trade receivable	18	—
Legal and professional expenses	1,541	1,407
Listing expenses	—	6,251
Other expenses	515	965
Property management fee expenses	3,557	3,569
Rates and government rent	1,524	1,391
	<hr/>	<hr/>
Total cost of sales and general and administrative expenses	19,139	24,115
	<hr/>	<hr/>

Note:

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

5 FINANCE EXPENSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest expenses on borrowings	5,197	6,451
	<hr/>	<hr/>

6 INCOME TAX EXPENSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong Profits Tax	3,095	2,736
Over-provision in prior years	(160)	(138)
Deferred income tax expenses	401	1,115
	<hr/>	<hr/>
	3,336	3,713
	<hr/>	<hr/>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduced 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 years ended 31 December 2019 and 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%.

No overseas profits tax have been provided for the years ended 31 December 2019 and 2018.

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

	2019 HK\$’000	2018 HK\$’000
(Loss)/profit before income tax	<u>(182,561)</u>	<u>54,255</u>
Calculated at a tax rate of 16.5%	(30,123)	8,952
Income not subject to taxation	(870)	(7,195)
Expenses not deductible for taxation purposes	35,243	2,227
Effect of different tax rate of a subsidiary	(165)	(165)
Tax losses not recognised	84	423
Recognition of previously unrecognised tax losses	(527)	—
Utilisation of tax losses previously not recognised	(146)	(391)
Over-provision in prior years	<u>(160)</u>	<u>(138)</u>
Income tax expenses	<u>3,336</u>	<u>3,713</u>

7 DIVIDEND

No dividend has been paid or declared by the Company for the year ended 31 December 2019 (2018: Nil).

8 (LOSS)/EARNINGS PER SHARE — BASIC AND DILUTED

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years. In 2018, the weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the capitalisation issue which took place on 16 January 2018.

	2019	2018
(Loss)/profit attributable to owners of the Company (HK\$'000)	(185,897)	50,542
Weighted average number of ordinary shares in issue (thousands)	720,000	712,603
Basic (loss)/earnings per share (Hong Kong cents)	(25.82)	7.09

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is of the same amount as the basic (loss)/earnings per share as there were no potentially dilutive ordinary shares outstanding as at 31 December 2019 and 2018.

9 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Trade receivables	1,040	648
Prepayments, deposits and other receivables	3,263	4,980
	4,303	5,628

Trade receivables represent rental and 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:

	2019 HK\$'000	2018 HK\$'000
Within 30 days	173	648
31 to 60 days	471	—
61 to 90 days	199	—
Over 90 days	197	—
	1,040	648

As at 31 December 2019 and 2018, no impairment provision was made on the trade receivables. The Group applied the simplified approach in measuring expected credit loss (“ECL”) which uses a lifetime ECL allowance for all trade debtors. To measure the ECL, trade debtors are grouped based on shared credit risk characteristics and the days past due. The Group measures the ECL of trade debtors based on the outstanding balance with debtors, offset with the deposit placed to the Group by the counterparties, historical payment profiles, and the corresponding credit loss experience adjusted by the current and forecast economic conditions that may affect the ability of the counterparties to settle trade receivables. Trade receivables of HK\$18,000 (2018: Nil) were written off for the year ended 31 December 2019.

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, deposits and other receivables approximate their fair values and are denominated in Hong Kong dollars.

10 BORROWINGS

As at 31 December 2019 and 2018, the borrowings represent the current portion of borrowings from Good Shot Limited which will mature in October 2020 and had matured in October 2019, respectively, and is interest bearing at the rate of one-month Hong Kong Interbank Offered Rate plus 0.4% per annum. The loan was secured by corporate guarantees of the Company as at 31 December 2019 and 2018.

The Group’s borrowings were repayable as follows:

	2019 HK\$’000	2018 HK\$’000
Within 1 year	128,167	290,267

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:

	2019 HK\$’000	2018 HK\$’000
6 months or less	128,167	290,267

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.

CHAIRMAN’S STATEMENT

On behalf of the Board, 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 2019.

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 office space in core business areas and retail shops in prime urban areas.

The Group recorded rental income and property management fee income of approximately HK\$38.3 million and HK\$5.7 million respectively for the year ended 31 December 2019. The gross profit was approximately HK\$38.3 million. Loss for the year attributable to owners of the Company was approximately HK\$185.9 million. However, the Group recorded net profit of approximately HK\$22.1 million (excluding the changes in fair value of investment properties) for the year ended 31 December 2019.

OUTLOOK

China and the United States have been engaged in trade negotiations since 2018. Both countries have been apparent in trying to seek a compromise, resulting in a slight easing of tension between the countries. Furthermore, the social unrest in Hong Kong since the second half of 2019 has caused further economic uncertainty. As we entered into the year 2020, the outbreak of coronavirus disease (COVID-19) has further increased the risk of Hong Kong’s economic slowdown and it is expected that the Group’s performance will inevitably be affected. The current economic climate remains challenging, however the Group will continue to closely monitor the global economic situation and make rental policy adjustments accordingly, in order to minimize the impact on the Group.

Despite 2019 was a challenging year, the Group has recorded an increase in revenue, gross profit and net profit respectively (excluding the changes in fair value of investment properties) for the year ended 31 December 2019 as compared to the year ended 31 December 2018.

Meanwhile, the Group possesses sufficient working capital, as the controlling Shareholder continues to provide financial assistance in the form of loan facilities to the Group of up to HK\$1.0 billion.

Hong Kong has been the Group's major investment market, therefore the various factors mentioned above may have an adverse effect on the Group. The Group expects that the property market will continue to be volatile, and shall take a mindful approach when evaluating investment opportunities. While the Group endeavours to sustain its performance in Hong Kong, it will also continue to seek for quality properties in Hong Kong, China and other international cities to reduce the risk of the Group relying on a single geographical market. Besides real estate, the Group will also look for investment opportunities in the financial sector, such as provision of financial services and technologies, to further enhance the Group's performance by exploring different sources of income in other 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 office space in core business areas and retail shops in prime urban areas.

The Group recorded a loss of approximately HK\$185.9 million for the year ended 31 December 2019 as compared to profit of approximately HK\$50.5 million for the year ended 31 December 2018. The loss was mainly attributable by the loss in fair value of investment properties of approximately HK\$208.0 million for current year. However, the Group recorded a profit of approximately HK\$22.1 million for the year ended 31 December 2019 (2018: HK\$11.4 million) by excluding the changes in fair value of investment properties.

The Group recorded rental income of approximately HK\$38.3 million for the year ended 31 December 2019 (2018: HK\$36.1 million), of which approximately HK\$26.8 million or 70.0% (2018: HK\$24.1 million or 66.8%) of rental income was derived from rental of office properties, approximately HK\$11.5 million or 30.0% (2018: HK\$11.4 million or 31.5%) of rental income was derived from rental of retail properties and no rental income (2018: HK\$0.6 million or 1.7%) was derived from rental of industrial properties. For the year ended 31 December 2019, the Group recorded property management fee income of approximately HK\$5.7 million (2018: HK\$5.1 million). The property management fee income contributed approximately 12.9% (2018: 12.4%) of the Group's total revenue for the year ended 31 December 2019.

In order to facilitate the expansion of the Group's business activities in property investment in other countries outside Hong Kong, investments in financial assets and provision of financial services and technologies so as to further explore sources of revenue, Good Shot Limited, a wholly-owned subsidiary of Thing On Group Limited ("Thing On Group"), the controlling Shareholder, 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. On 14 August 2019, the parties agreed to extend the original maturity date of the loan facilities from 25 October 2019 to 25 October 2020.

INVESTMENT PROPERTY PORTFOLIO

As at 31 December 2019, the Group owned an investment property portfolio of 36 (2018: 37) properties.

The aggregate saleable area of the properties was approximately 58,732 sq.ft. (2018: 93,711 sq.ft.) as at 31 December 2019, of which approximately 61.4% (2018: 38.5%), 23.6% (2018: 14.8%) and nil (2018: 37.3%) was derived from office, retail and industrial properties located on Hong Kong Island, respectively, and 2.7% (2018: 1.7%) and 12.3% (2018: 7.7%) was derived from office and retail properties located in Kowloon, respectively.

The total value of the properties attributable to the Group was approximately HK\$1,395.8 million (2018: HK\$1,735.8 million) as at 31 December 2019, of which approximately 66.4% (2018: 60.7%), 22.5% (2018: 22.0%) and nil (2018: 7.6%) was derived from office, retail and industrial properties located on Hong Kong Island, respectively, and 2.2% (2018: 1.9%) and 8.9% (2018: 7.8%) 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 2019 were approximately HK\$44.0 million and HK\$5.7 million (2018: HK\$41.2 million and HK\$6.0 million), respectively. The slight increase in revenue of approximately HK\$2.8 million was primarily attributable to the increase in rental income from a newly acquired office property located in Kowloon since October 2018 and an office property located on Hong Kong Island which was previously vacant but leased since December 2018.

The gross profit for the year ended 31 December 2019 was approximately HK\$38.3 million (2018: HK\$35.2 million). Loss for the year attributable to owners of the Company for the year ended 31 December 2019 is approximately HK\$185.9 million as compared with profit of approximately HK\$50.5 million for the year ended 31 December 2018, which was mainly due to the loss in fair value of investment properties of approximately HK\$208.0 million for the year ended 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, cash and bank balances of the Group amounted to approximately HK\$148.9 million (2018: HK\$158.3 million). The current ratio (current assets divided by current liabilities) of the Group was approximately 1.1 as at 31 December 2019 (2018: 0.5).

As at 31 December 2019, the Group did not have any long term loan outstanding (2018: Nil) and had a short-term loan outstanding which amounted to approximately HK\$128.2 million (2018: HK\$290.3 million) and 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 not applicable as the Group maintained at a net cash position as at 31 December 2019 (2018: 8.2%).

FINAL DIVIDEND

The Directors did not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no significant contingent liabilities (2018: Nil).

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had no significant capital commitments (2018: Nil).

SIGNIFICANT INVESTMENTS

As at 31 December 2019, the Group did not have any significant investment plans (2018: Nil).

CHARGE OVER THE GROUP'S ASSETS

As at 31 December 2019, there was no charge over the assets of the Group (2018: Nil).

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There was no significant event which occurred after the end of period from 1 January 2019 to 31 December 2019 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had 19 employees (2018: 18 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

On 25 February 2019, the Company entered into a sale and purchase agreement (the “Agreement”) with Chinese Ford Limited (the “Purchaser”) pursuant to which the Company agreed to sell and the Purchaser agreed to purchase the entire issued shares of Wealth Range, a wholly-owned subsidiary of the Company, being the legal owner of a property located at Unit No. C on 2nd Floor, Unit Nos. A to G on 3rd Floor, Car Parking Space No.V2 & No.V4 & No.V18 on G/F, Sunview Industrial Building, No.3 On Yip Street, Chai Wan, Hong Kong and the outstanding loan in the principal amount of approximately HK\$89.5 million due by Wealth Range to the Company as at the date of the Agreement at a consideration of HK\$135.0 million (the “Disposal”). Please refer to the announcement of the Company dated 25 February 2019 for details.

The Disposal was completed on 28 June 2019. The Group recorded a gain from the Disposal (after deducting relevant expenses) of approximately HK\$1.8 million. The proceeds from the Disposal were used to repay the shareholder’s loan due to the controlling Shareholder.

Save as disclosed above and in Note 3, the Group did not have any other material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2019.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company (the “Shares”) were listed on the Main Board of the Stock Exchange on 16 January 2018 (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, which are intended to be utilised in the manner as disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 28 December 2017.

As at 31 December 2019, the net proceeds had been utilized as follows:

Use of proceeds	Proposed use of proceeds <i>HK\$ million</i>	Utilized <i>HK\$ million</i>	Unutilized <i>HK\$ million</i>
Acquisitions of new investment properties	174.6	(37.0)	137.6
Expansion and strengthening of our value-added property management services	9.7	(9.7)	—
Working capital and other general corporate purposes	9.7	(9.7)	—
	194.0	(56.4)	137.6

CORPORATE GOVERNANCE PRACTICES

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.

In the opinion of the Directors, the Company was in compliance with all relevant provisions set out in the CG Code for the year ended 31 December 2019.

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 year ended 31 December 2019.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures of the Group’s result for the year ended 31 December 2019 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 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 entitled to attend and vote at the forthcoming annual general meeting to be held on Wednesday, 29 April 2020, the register of members of the Company will be closed from Thursday, 23 April 2020 to Wednesday, 29 April 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 21 April 2020.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Company established the audit committee of the Company (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 Company for the year ended 31 December 2019.

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

Hong Kong, 27 February 2020

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.