



Thing On Enterprise Limited
晉安實業有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2292

2017
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Ka Yeung Roland
Ms. Chan Choi Wan Rolie

Non-executive Director

Mr. Wong Chung Tak Richard *JP*
(Chairman of the Board)

Independent Non-executive Directors

Ms. Chan Kam Ping
Mr. Wong King Wai Kirk
Mr. Wen Cyrus Jun-ming

CHIEF EXECUTIVE OFFICER

Mr. Wong Fung Hing

AUDIT COMMITTEE

Ms. Chan Kam Ping *(Chairman)*
Mr. Wong King Wai Kirk
Mr. Wen Cyrus Jun-ming

REMUNERATION COMMITTEE

Mr. Wen Cyrus Jun-ming *(Chairman)*
Mr. Wong King Wai Kirk
Ms. Chan Kam Ping

NOMINATION COMMITTEE

Mr. Wong King Wai Kirk *(Chairman)*
Ms. Chan Kam Ping
Mr. Wen Cyrus Jun-ming

COMPANY SECRETARY

Ms. Chan Yuen Ying Stella

AUTHORISED REPRESENTATIVES

Ms. Chan Yuen Ying Stella
Mr. Wong Ka Yeung Roland

LEGAL ADVISERS AS TO HONG KONG LAW

King & Wood Mallesons

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

COMPLIANCE ADVISER

KGI Capital Asia Limited

REGISTERED OFFICE

190 Elgin Avenue
George Town
Grand Cayman KY1-9007
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17/F
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Intertrust Corporate Services (Cayman) Limited
190 Elgin Avenue, George Town
Grand Cayman KYI-9007
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

Hang Seng Bank

STOCK CODE

2292

WEBSITE

<http://www.toenterprise.com/>

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 "Shareholders") the annual results and consolidated financial statements of the Group for the year ended 31 December 2017.

The shares of the Company (the "Shares") 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.

Wong Chung Tak Richard JP
Chairman

Hong Kong, 8 March 2018

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Ka Yeung Roland (王家揚), aged 29, was appointed as an executive Director on 19 May 2016. He is a director of all of the subsidiaries of the Company and a member of the investment committee of the Company. Mr. Roland Wong has over three years of experience in financial management and properties investment in Hong Kong and overseas. He acts as a representative for the Company in dealing with external stakeholders. He is responsible for overall financial management, leading the Finance and Accounting Department, corporate finance and acquisitions and disposals. Prior to joining the Group, Mr. Roland Wong worked at PricewaterhouseCoopers (Hong Kong) as a senior associate and at the financial markets department of Standard Chartered Bank (Hong Kong).

Mr. Roland Wong obtained a bachelor degree of business administration (accounting and finance) from the University of Hong Kong in November 2011. He has been a member of Hong Kong Institute of Certified Public Accountants since October 2013, a member of Association of Chartered Certified Accountants since June 2014, a member of Institute of Chartered Accountants in England and Wales since July 2014 and a member of CPA Australia since February 2015. He is a member of the Quality Education Fund — Assessment and Monitoring Subcommittee since January 2016. He is also a member of the District Fight Crime Committee (Wan Chai District) under the Home Affairs Bureau since April 2016. He is an observer of the Independent Police Complaints Council since April 2017. He is a member of the 12th Guangxi Zhuang Autonomous Region Committee of the Chinese People's Political Consultative Conference since January 2018.

Mr. Roland Wong is a son of Mr. Wong Chung Tak Richard, nephew of Mr. Wong Fung Hing and brother of Mr. Wong Man Yeung Ryan.

Ms. Chan Choi Wan Rolie (陳彩雲), aged 59, was appointed as an executive Director on 6 June 2017. She is a member of the investment committee of the Company. Ms. Chan has over 25 years of experience in property investments and related activities in Hong Kong and is responsible for overall administration of the Group. Ms. Chan joined the Group in January 1992 and has served as the account manager from March 1994 to March 2005, and was responsible for overseeing and developing business with customers of the Group. Ms. Chan was promoted to the position of finance manager in March 2005 and was responsible for reviewing financial reports, monitoring accounts, preparing activity reports and financial forecasts. Ms. Chan was further promoted and held the position of chief administration officer of Thing On Holdings Limited since April 2015, and was responsible for managing the office operations.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

NON-EXECUTIVE DIRECTOR

Mr. Wong Chung Tak Richard JP (王聰德) (also known as Mr. Wong Chung Tak (王聰德)), aged 59, was appointed as the chairman of the Board and the non-executive Director on 19 May 2016. He is the founder of the Group and a director of certain subsidiaries of the Company. Mr. Richard Wong JP has over 27 years of experience in properties investment and management in Hong Kong and is responsible for overall strategic planning of the Group since its establishment. Mr. Richard Wong JP has worked in investment and financial companies for more than 35 years and has solid experience in corporate development strategies, operation management, market and projects development. Mr. Richard Wong JP has been a member of the Immigration Department Users' Committee since January 2014. Mr. Richard Wong JP is currently also the Honorary Patron of The University of Hong Kong Foundation. Mr. Richard Wong JP received various social awards from Hong Kong St. John Ambulance due to his constant and significant contributions, including Long Service Medal 1st Bar in 1999, Duke of Gloucester St. John Serving Brother Medal (awarded by Queen Elizabeth II of the United Kingdom) in November 2002 and Long Service Medal 2nd Bar in 2009. Mr. Richard Wong JP was appointed by the Hong Kong Government as Justice of the Peace with effect from 30 June 2017.

Mr. Richard Wong JP was an executive director and chairman of Landsea Green Properties Co., Ltd. (朗詩綠色地產有限公司) (stock code: 00106), a company listed on the Stock Exchange, from October 2003 to July 2013 and was a non-executive director of the aforementioned company from July 2013 to November 2013.

Mr. Richard Wong JP is a brother of Mr. Wong Fung Hing and the father of Mr. Wong Ka Yeung Roland and Mr. Wong Man Yeung Ryan.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chan Kam Ping (陳錦萍), aged 48, was appointed as an independent non-executive Director, the chairman of the audit committee and a member of each of the remuneration committee and nomination committee of the Company on 15 December 2017. Ms. Chan has been a partner at Liu Leung Chan since January 2004. She was previously an audit trainee and an audit manager in Chris Liu & Co from October 1993 to December 2003. She has over 23 years of experience in audit accounting in Hong Kong.

Ms. Chan obtained a bachelor degree of arts from The University of Hong Kong in November 1993. She has been a member of Hong Kong Institute of Certified Public Accountants since July 2000, a member of Association of Chartered Certified Accountants since June 2000 and was admitted as a fellow of Association of Chartered Certified Accountants since July 2005.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Wong King Wai Kirk (王經緯), aged 35, was appointed as an independent non-executive Director, the chairman of the nomination committee and a member of each of the audit committee and remuneration committee of the Company on 15 December 2017. Mr. Wong has been the founder and a director of Marvel Group Holdings Limited, a company that manufactures disposable baby products, since April 2012. He has also been a director and legal counsel at Keenway Industries Ltd., a plastic toy manufacturer, since September 2009. He is responsible for the overall operations of the aforementioned companies. Mr. Wong has over 14 years of experience in corporate management in Hong Kong. He had served as a trainee solicitor at Sidley Austin in Hong Kong from September 2007 to September 2009.

Mr. Wong obtained a bachelor degree of arts from the University of British Columbia, Canada in May 2004. He passed the common professional examination and obtained the graduate diploma in English and Hong Kong Law in July 2006. He graduated from the University of Hong Kong with a postgraduate certificate in laws in June 2007. He was admitted as a solicitor of the High Court of Hong Kong in January 2010. Mr. Wong obtained a master's degree in business administration from the Hong Kong University of Science and Technology in November 2014.

Mr. Wen Cyrus Jun-Ming (聞俊銘), aged 32, was appointed as an independent non-executive Director, the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Company on 15 December 2017. Mr. Wen is a partner of STI Asset Management Limited and joined the company since 2012. He is responsible for the sourcing, evaluating, structuring, executing, monitoring and divesting of the company's businesses and investments. He is a non-executive director of Jimu Group Limited (formerly known as Ever Smart International Holdings Limited) (Stock Code: 8187) since 11 December 2017, a non-executive director of Fresh Express Delivery Holding Group Co., Limited (Stock Code: 1175) since 8 December 2016, and a non-executive director of Sanai Health Industry Group Company Limited (formerly known as Wuyi International Pharmaceutical Company Limited, (Stock Code: 1889) for the period from 15 June 2015 to 3 March 2016. Prior to joining STI Financial Group, he worked at various financial service companies, such as VMS Investment Group, Kazakhstan Hong Kong Development Fund, and Citigroup during the period from August 2008 to November 2012. He has over ten years of experience in the financial service industry.

Mr. Wen obtained a bachelor of science degree in business administration from Washington University in St. Louis in United States in May 2008. He is a responsible officer of STI Asset Management Limited with license to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

SENIOR MANAGEMENT

Mr. Wong Fung Hing (王逢興), aged 50, was appointed as the chief executive officer in July 2013. He joined the Group in September 1991 and was previously the head of the Group's property investment operation and specializes in property management, strategic planning and business development. Mr. FH Wong has over 25 years of experience in property investment and management in Hong Kong. Since joining the Group, he was responsible for the overall real estate management which includes overseeing the accounts and finances of investment properties, handling leases with tenants, and overseeing the redevelopment, refurbishment and maintenance of the investment properties. He oversees a professional team comprising project managers, architects, designers and contractors in relation to redevelopment and property enhancement projects. He is also the chairman of the investment committee of the Company, which is responsible for property acquisitions, disposals and risk management.

Mr. FH Wong has been a registered manager of the Chinese Gold & Silver Exchange Society since November 2010 and a registered member of Hong Kong Jade Association since December 2015.

Mr. Wong Man Yeung Ryan (王文揚), aged 32, was appointed as the general manager on 1 September 2014. He is a director of certain subsidiaries of the Company and a member of the investment committee of the Company. Mr. Ryan Wong has over three years of experience in properties investment in Hong Kong. He is responsible for operations of the property department. He acts as a representative for the Company in dealing with internal stakeholders (e.g. representing the Company at the Incorporated Owners' meeting). He contributes to the day-to-day management of the Property Department and chairs the Leasing Committee. Mr. Ryan Wong had served as senior house officer of Royal Free Hospital London (NHS Foundation Trust) in United Kingdom from July 2012 to August 2014.

Mr. Ryan Wong obtained a bachelor degree of science from Imperial College of Science, Technology and Medicine to the University of London (United Kingdom) in August 2007 and a bachelor degree of medicine and a bachelor degree of surgery from the University of Sheffield (United Kingdom) in June 2012. He was admitted to be an associate of the Royal College of Science by the Council of the Imperial College of Science, Technology and Medicine on August 2007 and a registered medical practitioner of General Medical Council on July 2012.

Ms. Cheung Yee Wah Polly (張綺華), aged 62, was appointed as the assistant general manager on 1 July 2015. She is a member of the investment committee of the Company. She joined the Group in April 2005 and has over 12 years of experience in properties management in Hong Kong. Since joining the Group, she was responsible for managing the marketing for the rental of our investment properties, administration of leases, relations with the tenants and property agencies, and redevelopment, refurbishment and maintenance of the investment properties. She is also responsible for operation matters including coordinating leases, client service management and maintaining rental account with finance and accounting department.

Ms. Chan Yuen Ying Stella (陳婉縈) was appointed as company secretary and an authorised representative of the Company on 22 January 2018. Ms. Chan is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She is also a member of the Hong Kong Institute of Directors. Ms. Chan is currently the company secretary of several companies listed on the Main Board of the Stock Exchange. She is also a director of a local professional firm providing regulatory compliance, corporate governance and corporate secretarial services to listed and unlisted corporations. Ms. Chan has more than 20 years' experience in handling listed company secretarial and compliance related matters.

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

Financial Highlights

	For the year ended		Change %
	31 December 2017 HK\$'000	31 December 2016 HK\$'000	
Revenue	46,243	41,294	12.0
Gross profit	38,744	36,989	4.7
Profit before income tax	185,622	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)	21,957	26,579	(17.4)

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 increase in revenue of approximately HK\$4.9 million was primarily attributable to (i) additional rental income from office and retail properties of approximately HK\$4.8 million mainly due to the acquisition of office space in Bank of East Asia Harbour View Centre in November 2016 and the acquisition of Wanchai Commercial Centre properties in December 2016; and (ii) additional property management fee income of approximately HK\$1.2 million.

The gross profit for the year ended 31 December 2017 was approximately HK\$38.7 million (2016: HK\$37.0 million). In addition to the revenue and gross profit growth, the Group also recognised other income and net gains/losses of approximately HK\$11.2 million for the year ended 31 December 2017 (2016: HK\$2.3 million). During the year ended 31 December 2017, the Group disposed of its entire interest in (i) Fession Group Limited and its subsidiary (“Fession Group”); and (ii) Pop Act Limited and its subsidiaries and Fresh One Inc. (“Pop Act”), wholly-owned subsidiaries of the Group. Fession Group indirectly owned a unit of office property in Hong Kong. Pop Act indirectly owned units of industrial property in Hong Kong. The transactions have been completed on 25 January 2017 and 16 May 2017 respectively. The Group recognised a gain on disposal of approximately HK\$8.2 million and HK\$2.9 million during the year ended 31 December 2017 respectively. 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).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

During the year ended 31 December 2017, the Group disposed of its entire interest in Fession Group and Pop Act, wholly-owned subsidiaries of the Group. Fession Group indirectly owned a unit of office property in Hong Kong. Pop Act indirectly owned units of industrial property in Hong Kong. The transactions have been completed on 25 January 2017 and 16 May 2017 respectively. The Group recognised a gain on disposal of approximately HK\$8.2 million and HK\$2.9 million during the year ended 31 December 2017 respectively.

Save for the above and 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 years 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 report, 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 REPORT

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company aims to achieve high standards of corporate governance which is crucial to the development of the Group and safeguard the interests of the Shareholders.

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 (the "Shares") were only listed on the Stock Exchange since the Listing Date, the CG Code was not applicable to the Company during the year ended 31 December 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code since the Listing Date and up to the date of this report.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

The Board currently consists of six Directors including two Executive Directors, one Non-executive Director, and three Independent Non-executive Directors:

Executive Directors

Mr. Wong Ka Yeung Roland
Ms. Chan Choi Wan Rolie

Non-executive Director

Mr. Wong Chung Tak Richard *JP*

CORPORATE GOVERNANCE REPORT (CONTINUED)

Independent Non-executive Directors

Ms. Chan Kam Ping
Mr. Wong King Wai Kirk
Mr. Wen Cyrus Jun-ming

Save for Mr. Wong Chung Tak Richard *JP*, being the father of Mr. Wong Ka Yeung Roland, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 4 to 6 under the section headed “Biographies of Directors and Senior Management” in this report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the independent non-executive Directors are considered to be independent pursuant to the Listing Rules.

Chairman and Chief Executive Officer

The two positions are held separately by two individuals to ensure their respective independence, accountability and responsibility. Mr. Wong Chung Tak Richard *JP* is the Chairman of the Board and Mr. Wong Fung Hing is the Chief Executive Officer of the Company. Mr. Wong Chong Tak Richard *JP* is in charge of the management of the Board and strategic planning of the Group. Mr. Wong Fung Hing is responsible for the overall business operation and formulating business plans. The Company considered that the division of responsibilities between the Chairman and Chief Executive Officer is clearly established.

Non-executive Director and Independent Non-executive Directors

The non-executive Director and independent non-executive Directors are appointed for a specific term and they are also subject to the retirement by rotation at least once every three years in accordance with the Articles of Association.

The three independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of legal, accounting and finance. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board.

Board Diversity Policy

The Board adopted a Board Diversity Policy on 8 March 2018 (the “Board Diversity Policy”) which sets out the approach to achieve diversity on the Board. The Company recognises that increasing diversity at the Board level will support the attainment of the Company’s strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimal composition of the Board.

The Board delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Nomination Committee will discuss and review the necessity to set any measurable objectives for implementing the Board Diversity Policy from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

Board Meetings

The Board intends to hold board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular board meetings to provide all Directors with an opportunity to attend and propose matters to be discussed in the meeting agenda.

During the year ended 31 December 2017, the Board held 3 meetings. The attendance record of each Director is set out below:

Name of Directors	Number of attendance
Executive Directors	
Mr. Wong Ka Yeung Roland	3/3
Ms. Chan Choi Wan Rolie	3/3
Non-executive Director	
Mr. Wong Chung Tak Richard JP	3/3
Independent Non-executive Directors	
Ms. Chan Kam Ping	2/2
Mr. Wong King Wai Kirk	2/2
Mr. Wen Cyrus Jun-ming	2/2

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

Appropriate insurance cover has been arranged by the Company in respect of relevant actions against its Directors.

General Meetings

No general meeting was held during the year ended 31 December 2017.

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "Nomination Committee") on 15 December 2017 with written terms of reference in compliance with the CG Code. The Nomination Committee consists of three members, namely Mr. Wong King Wai Kirk, Ms. Chan Kam Ping and Mr. Wen Cyrus Jun-ming. Mr. Wong King Wai Kirk is the chairman of the Nomination Committee.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The primary duties and roles of the Nomination Committee include, but are not limited to, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the corporate strategy; (b) making recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors in particular the chairman of the Board and the managing director; (c) identifying individuals suitably qualified to become Directors and selecting or making recommendations to the Board on the selection of individuals nominated for directorship; and (d) assessing the independence of independent non-executive Directors.

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates.

During the year ended 31 December 2017, no Nomination Committee's meeting was held since the Nomination Committee was only established on 15 December 2017.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "Remuneration Committee") on 15 December 2017 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance based remuneration and ensure none of the Directors determine their own remuneration. The Remuneration Committee consists of three members, namely Mr. Wen Cyrus Jun-ming, Ms. Chan Kam Ping and Mr. Wong King Wai Kirk. Mr. Wen Cyrus Jun-ming is the chairman of the Remuneration Committee.

During the year ended 31 December 2017, no Remuneration Committee's meeting was held since the Remuneration Committee was only established on 15 December 2017.

The emoluments payable to Directors and senior management depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in notes 9 and 24 to the consolidated financial statements.

Senior Management's Remuneration

Senior Management's remuneration payment of the Group for the year ended 31 December 2017 falls within the following bands:

	Number of individuals
Nil to HK\$1,000,000	3

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 meets the external auditors regularly to discuss any area of concern during the audit. The Audit Committee shall review the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of external auditors; review the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of the Group and oversee the Company's corporate governance functions.

The corporate governance functions are performed by the Audit Committee which was delegated by the Board.

The corporate governance functions are to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, to review and monitor the training and continuous professional development of Directors and senior management, to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors, to develop and review the Company's policies and practices on corporate governance and making recommendations to the Board and report to the Board on matters, to review the Company's compliance with the CG Code and disclosure in the corporate governance report, to review and monitor the Company's compliance with the Company's whistleblowing policy and to consider any other topics as determined by the Board.

During the year ended 31 December 2017, no Audit Committee's meeting was held since the Audit Committee was only established on 15 December 2017.

The Audit Committee noted the existing risk management and internal control systems of the Group and also noted that review of the same will be carried out annually.

The accounts for the year ended 31 December 2017 were audited by PricewaterhouseCoopers whose term of office will expire upon the conclusion of the forthcoming annual general meeting of the Company ("2018 AGM"). The Audit Committee has recommended to the Board the re-appointment of PricewaterhouseCoopers as the auditor of the Company at the 2018 AGM.

CORPORATE GOVERNANCE REPORT (CONTINUED)

AUDITOR'S REMUNERATION

During the year ended 31 December 2017, the remuneration paid/payable to PricewaterhouseCoopers are set out below:—

Services rendered	Fee paid/payable HK\$'000
Audit services	925
Listing services	1,129
Non-audit services	—
Total:	2,054

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

Ms. Chan Yuen Ying Stella ("Ms. Chan"), the representative of Uni-1, was appointed as the named Company Secretary of the Company on 22 January 2018.

Mr. Wong Ka Yeung Roland, an executive Director, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Ms. Chan had taken no less than 15 hours of relevant professional training for the year ended 31 December 2017.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Shareholders to convene an extraordinary general meeting

Shareholders may convene an extraordinary general meeting of the Company according to the provisions as set out in the Articles and The Companies Law (Revised) of the Cayman Islands. The procedures Shareholders can use to convene an extraordinary general meeting are set out in the document entitled "Procedures for Shareholders to Convene General Meetings", which is currently available on the Company's website.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Putting enquiries by shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong. The procedures Shareholders can use to send enquiries to the Board are set out in the document entitled "Procedures for Sending Enquiries to the Board", which is currently available on the Company's website.

Procedures for putting forward proposals by shareholders at shareholders' meeting

Shareholders should follow the procedures set out in the sub-section headed "Shareholders to convene an extraordinary general meeting" above for putting forward proposals for discussion at general meeting.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the Chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2018 AGM will be voted by poll.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders.

Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements for each financial year which give a true and fair view of the financial position of the Group and of the financial performance and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 December 2017, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

CORPORATE GOVERNANCE REPORT (CONTINUED)

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee, who oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management has provided a confirmation to the Audit Committee (and the Board) on the effectiveness of these systems for the year ended 31 December 2017.

The Board has conducted a review of the systems of risk management and internal control for the year ended 31 December 2017 to ensure the effectiveness and adequacy of the systems. Such review shall be conducted annually. The Board considered that the risk management and internal systems of Company for the year ended 31 December 2017 were effective and adequate.

Main features of the risk management and internal control systems

The Board has the overall responsibility for maintaining sound and effective risk management and internal controls to safeguard the shareholders' investment and the Company's assets.

The Company adopted a risk management policy, the main objectives of which is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to risk management, in order to guide decisions on risk related issues.

The specific objectives of the policy are:

1. to ensure that all the current and future material risk exposures of the Group are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
2. to establish a framework for the Group's risk management process and to ensure its implementation.
3. to enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
4. to assure business growth with financial stability.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Risk assessment process

Risks identification is based on discussions and interviews with senior management from different departments. Risk are preliminary identified by senior management from the risk universe which is a collection of risks built on environmental analysis and external benchmarking that can impact the Group at the entity or specific business process level. Key risk factors are then identified by integrating the results of the discussions and interviews.

Risk evaluation is the second step to assess the relative impact and likelihood of the identified key risk factors. These identified key risk factors are further assessed by a scale rating process by the senior management to evaluate their impact and likelihood.

Risk prioritization is a mapping exercise. A risk map is used to prioritize the identified key risk factors according to their impact and likelihood.

Internal audit function

The Company did not maintain an internal audit function for the year ended 31 December 2017. Upon the Listing, the Company designated a staff to be responsible for the internal control function. The Board will review regularly the need to engage an independent professional service provider to review the Group's internal control and risk management system in addition to the work done by the designated staff in order to provide sufficient risk management and internal control for the Group.

Handling and dissemination of inside information

The Group regulates the handling and dissemination of inside information according to the "Guidelines on Disclosure of Inside Information" published by the Securities and Future Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. Also, the Company keeps Directors, senior management and employees apprised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements.

CONSTITUTIONAL DOCUMENTS

Pursuant to written resolutions of the then shareholder passed on 15 December 2017, the existing memorandum of association was adopted with effect from 15 December 2017 and articles of association of the Company was adopted with effect from the Listing Date. Save as disclosed above, during the year ended 31 December 2017, there was no change in the constitutional documents of the Company.

The existing memorandum and articles of association of the Company are available on the websites of the Stock Exchange and the Company.

DIRECTORS' REPORT

The Directors are pleased to present their first report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

REORGANISATION AND GLOBAL OFFERING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 19 May 2016 and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance, Cap. 622 (Laws of Hong Kong) on 11 January 2017. Pursuant to the completion of the Reorganisation as detailed in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus to rationalise the structure of the Group in preparation for the listing of the Company's Shares on the Main Board of the Stock Exchange, the Company became the holding company of the subsidiaries now comprising the Group.

The Shares of the Company were listed on the Main Board of the Stock Exchange on 16 January 2018 (the "Listing Date") through Global Offering as described in the section headed "Structure and Condition of the Global Offering" in the Prospectus.

USE OF PROCEEDS FROM THE COMPANY'S GLOBAL OFFERING

The aggregate net proceeds from the Global Offering (after deducting the underwriting fees and commissions and estimated expenses in relation to the Global Offering paid and payable by the Company) amounted to approximately HK\$194.0 million. The proposed application of net proceeds as stated in the Prospectus has been adjusted according to the principles and proposed percentage of utilisation as specified in the section headed "Future Plans and Use of Proceeds" of the Prospectus. The Group did not utilize any part of the proceeds from the Listing Date and up to the date of this report.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in property investment and management in Hong Kong.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 December 2017 and a discussion on the Group's future business development, and also the Group's performance during the year ended 31 December 2017 using the key financial performance indicators are provided in the "Management Discussion and Analysis" on pages 8 to 10. No important event affecting the Group has occurred since the end of the year under review.

Principal Risks and Uncertainties

Risks Relating to Business

1. The Group's results may fluctuate due to increases or decreases in the appraised fair value of the Group's investment properties and the appraised fair value of the investment properties may differ from the actual realizable value and is subject to change.

Any such decrease in the fair value of the investment properties will reduce the Group's profits and could have a material adverse effect on our results of operations, financial condition and business prospects. The Company may also record a loss for a year as a result of such decrease in fair value of the investment properties.

DIRECTORS' REPORT (CONTINUED)

2. The Group depends on rental income generated from the Group's investment properties. Rental income from the Group's investment properties constituted substantial portion of the Group's revenue during the year ended 31 December 2017. The Group is subject to risks incidental to the leasing of properties including, among other things, changes in market rental levels, competition for tenants and inability to collect rent from tenants, or tenants fail to pay fees and charges (e.g. management fees and utilities charges) for which they are responsible under the terms of the tenancy agreement, but which the Group (as registered owner of the relevant property) is liable for under the terms of the deed of mutual covenant.

The Company cannot guarantee such downturn will not happen in the future and if it does, this may have a material adverse effect on the Group's business, results of operations and financial position. The Group's cash flow and liquidity will also be severely affected if we are not able to maintain the current rental income level and occupancy rate.

Risks relating to the Industry the Group Operates in

All of the Group's properties are located in Hong Kong. The Group's business and revenue growth are generally subject to the economic conditions in Hong Kong.

The property market in Hong Kong may be affected by many factors, including changes in the social, political, economic and legal environments in Hong Kong, as well as changes in the Hong Kong Government's fiscal and economic policies. The Group generally is also sensitive to changes in the economic conditions, consumer confidence, consumer spending and customer preferences. Factors such as the PRC's slower growth in economy in recent years, may, to a certain extent, have cooled the real estate market in Hong Kong.

The Group's business and prospects therefore depend principally on the economic conditions and performance of the property market in Hong Kong. Any downturn in the Hong Kong economic conditions or outlook of the property market may therefore adversely affect the Group's performance. The Company cannot assure that the demand for properties, in particular commercial non-residential properties, in Hong Kong, will continue to grow, or will grow at all, any potential decline in the demand for properties or property prices in Hong Kong may have a material adverse impact on the Group's business, financial condition, results of operations and growth prospects. The Group's financial position and results of operations may be influenced by fluctuations of supply and demand in the property market, which may, in turn, be affected by the general state of the economy and other factors, such as government policies. Any economic downturn or over-supply of properties could result in a slowdown in property sales or leases or downward pressure on property prices or rents. Any adverse development in the property market in Hong Kong could also have a material adverse effect on the Group's business, results of operations and financial condition.

Environmental Policy and Performance

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimise our environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

The environment, social and governance report of the Company for the year ended 31 December 2017 containing the information required under Appendix 27 to the Listing Rules will be published on the Stock Exchange's website and the Company's website within three months after the publication of the Company's 2017 annual report.

DIRECTORS' REPORT (CONTINUED)

Compliance with the Relevant Laws and Regulations

During the year under review, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operation of the Group.

Key Relationships with Employees, Customers and Suppliers

The Group recognises that employees are one of the significant assets of the Group. The Group aims to continue establishing a caring environment to employees and emphasize the personal development of its employees.

The Group maintains a good relationship with its customers and suppliers. The Group aims to continue providing quality services and consumption experiences to its customers and establishing cooperation strategy with its suppliers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of comprehensive income on page 36.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2017.

CHARITABLE DONATIONS

During the year ended 31 December 2017, the Group made HK\$1 million charitable donations (2016: nil).

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 2018 AGM 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.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 December 2017 in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements during the year ended 31 December 2017 in the investment properties of the Group are set out in note 14 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distribution to the shareholders amounted to approximately HK\$144,114,000.

DIRECTORS' REPORT (CONTINUED)

SHARE CAPITAL

Details of the movements in the share capital during the year are set out in note 25 to the consolidated financial statements.

SHARES ISSUED

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Company underwent series of reorganisation arrangements, which are more particularly described in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

On 16 January 2018, (i) the Company issued 180,000,000 new Shares at HK\$1.24 each in relation to the Global Offering. The net proceeds received by the Company from the Global Offering (after deducting the underwriting fees and commissions and estimated expenses in relation to the Global Offering paid and payable by the Company) amounted to approximately HK\$194.0 million and (ii) the Company issued 539,999,997 new Shares to Thing On Group Limited by way of capitalisation of an amount of HK\$26,999.99985 in the share premium account of the Company credited as a result of the Global Offering. Details of the Global Offering were disclosed in the Prospectus.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company (the "Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the shares.

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 the date of this report.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1) (a) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years is set out on page 90 of this report.

DIRECTORS

The list of Directors of the Company during the year and up to the date of this annual report is set out below:

DIRECTORS' REPORT (CONTINUED)

Executive Directors

Mr. Wong Ka Yeung Roland
 Ms. Chan Choi Wan Rolie (appointed on 6 June 2017)

Non-executive Director

Mr. Wong Chung Tak Richard *JP*

Independent Non-executive Directors

Ms. Chan Kam Ping (appointed on 15 December 2017)
 Mr. Wong King Wai Kirk (appointed on 15 December 2017)
 Mr. Wen Cyrus Jun-ming (appointed on 15 December 2017)

In accordance with Article 112 of the Articles, Ms. Chan Choi Wan Rolie who was appointed as a Director on 6 June 2017 and Ms. Chan Kam Ping, Mr. Wong King Wai Kirk and Mr. Wen Cyrus Jun-ming, who were appointed as Directors on 15 December 2017 will retire from office at the 2018 AGM and, being eligible, offer themselves for re-election.

In accordance with Article 108(a) of the Articles, Mr. Wong Ka Yeung Roland will retire by rotation at the 2018 AGM and, being eligible, offers himself for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors and Non-executive Director has signed a service contract with the Company for an initial term of three years commencing from the Listing Date and shall thereafter continue on a month to month basis, provided that either party may terminate the contract at any time by giving the other party not less than three months written notice.

Each of the Independent Non-executive Directors has signed a letter of appointment with the Company for an initial term of three years commencing from the Listing Date and shall thereafter continue on a month to month basis unless otherwise terminated by not less than one month's notice in writing served by either party on the other or as may be agreed by both parties.

None of the Directors who are proposed for re-election at the 2018 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT (CONTINUED)

CONNECTED TRANSACTIONS

Continuing Connected Transaction — Tenancy Agreement

Grandtex Development Limited ("Grandtex Development"), a wholly-owned subsidiary of the Company, as landlord and Thing On Capital Limited as tenant entered into a tenancy agreement (the "Tenancy Agreement") in respect of the leasing of a portion of the office space located at 17th Floor, and Car Parking Space No.18, 19, and 20 on 2nd Floor, Bank of East Asia Harbour View Centre, No.56 Gloucester Road, Hong Kong for use as office and car parking space (the "Property") for a period of 2 years and six months commencing from 1 July 2017. The monthly rental of the Property is HK\$400,000 (exclusive of government rent, rates, management fee, utility charge and all tenant's expenses and outgoings), which was determined after arm's length negotiations based on the prevailing market rental value.

Thing On Capital Limited is a wholly-owned subsidiary of Thing On Group Limited, the controlling shareholder of the Company, therefore, regarded as a connected person as defined under the Listing Rules. Upon the listing of the shares of the Company on the Main Board of the Stock Exchange on 16 January 2018, the transaction under the Tenancy Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The estimated annual rental income ("Annual Caps") to be paid by Thing On Capital Limited to Grandtex Development which constitutes continuing connected transaction for the years ending 31 December 2018 and 31 December 2019 are HK\$4.8 million and HK\$4.8 million, respectively.

The non-exempt continuing connected transaction is subject to reporting, annual review and announcement requirements but exempt from circular and independent shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

The Stock Exchange has granted to the Company, a waiver from strict compliance with the announcement requirements of the Listing Rules in respect of the transaction as contemplated under the Tenancy Agreement, subject to the following conditions:

- (i) that the non-exempt continuing connected transaction will be carried out in compliance with the requirements of the Listing Rules and that the Company shall comply with the relevant requirements for continuing connected transactions in accordance with Chapter 14A of the Listing Rules; and
- (ii) that the value of transaction contemplated under the Tenancy Agreement for the term of the Tenancy Agreement will not exceed the Annual Caps. In the case that the Annual Caps is exceeded, the Company will comply with the applicable requirements under the Listing Rules.

As at 31 December 2017, Mr. Wong Chung Tak Richard *JP* has also provided unlimited personal guarantee to secure a long-term loan of the Group. The unlimited personal guarantee has been released and replaced by guarantees of the Company upon the listing of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions" in this annual report and notes 9 and 24 to the consolidated financial statements, no significant transaction, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at 31 December 2017 or at any time during the year ended 31 December 2017.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the date of this report, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, are set out below:

Name of Director	Capacity	Long position/ Short position	Number of shares/ underlying shares held	Approximate percentage of the issued share capital of the Company
Mr. Wong Chung Tak Richard	Interest in a controlled corporation	Long position	540,000,000	75.0%

Note: Mr. Wong Chung Tak Richard *JP* owns the entire issued share capital of Thing On Group Limited. By virtue of the SFO, Mr. Wong Chung Tak Richard *JP* is deemed to be interested in such shares held by Thing On Group Limited.

Save as disclosed above, none of the Directors, or chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at the date of this report.

DIRECTORS' REPORT (CONTINUED)

SUBSTANTIAL SHAREHOLDERS INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at the date of this report, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that, other than the interests of the Directors and the chief executives of the Company, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

Name	Capacity	Long position/ short position	Number of shares/ underlying shares held	Approximate percentage of the issued share capital of the Company
Thing On Group Limited	Beneficial owner (Note 1)	Long position	540,000,000	75.0%
Ng Ka Fong Jenny	Interest of spouse (Note 2)	Long position	540,000,000	75.0%

Notes:

1. Mr. Wong Chung Tak Richard *JP* owns the entire issued share capital of Thing On Group Limited.
2. Ms. Ng Ka Fong Jenny is the spouse of Mr. Wong Chung Tak Richard *JP*. Therefore, Ms. Ng Ka Fong Jenny is deemed to be interested in the Shares which Mr. Wong Chung Tak Richard *JP* is interested in.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at the date of this report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code since the Listing Date and up to the date of this report.

DIRECTORS' REPORT (CONTINUED)

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to the written resolutions of the then shareholder passed on 15 December 2017 (the "Adoption Date"). The purposes of the Share Option Scheme are to enable the Group to provide additional incentives or rewards to selected participants for their contributions to the Group and to promote the success of the business of the Group. The Board may, at its absolute discretion and on such terms as it may think fit, invite any employee (full-time or part-time), director, substantial shareholder, consultant, adviser, business partner or service provider of the Group, to take up options to subscribe for shares of the Company.

The principal terms of the Share Option Scheme are summarised as follows:

- (1) The subscription price per share in respect of any exercise of an option granted under the Share Option Scheme shall be a price solely determined by the Board and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share of the Company (the "Share") on the date of grant of the option.
- (2) As consideration for the grant, the grantee shall pay to the Company HK\$1.00 upon acceptance of the offer.
- (3) The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date, and which must not exceed 30% of the Shares in issue from time to time.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 72,000,000 Shares, which represents 10% of the issued shares as at the date of this report.

- (4) The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company, in any 12-month period shall not exceed 1% of the Shares in issue.
- (5) An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant.

Other details of the Share Option Scheme are set out in the Prospectus.

No share option has been granted by the Company under the Share Option Scheme since the Adoption Date and up to the date of this report.

DIRECTORS' REPORT (CONTINUED)

NON-COMPETITION UNDERTAKING

Mr. Wong Chung Tak Richard *JP* and Thing On Group Limited (the "Covenantors" and each a "Covenantor"), executed a deed of non-competition on 15 December 2017 (the "NCU") in favour of the Company (for its own and on behalf of all members of the Group) pursuant to which each of the Covenantors, irrevocably and unconditionally, has undertaken to and covenanted with the Group that during period from the Listing Date to the earlier of (i) the date on which the Covenantors cease to be controlling shareholders (as defined from time to time under the Listing Rules) of the Company or (ii) the date on which the shares of the Company cease to be listed on the Stock Exchange (the "Restricted Period"), each of them shall not, and shall procure that none of his/its close associates shall:

- (a) directly or indirectly (other than through the Group) engage, participate, acquire or hold any right or interest in or otherwise be interested or involved in, directly or indirectly, any business which is in competition with or likely to be in competition with the Group's business of property investment business in Hong Kong with a principal focus on office, retail and industrial properties leasing and in the property management business and any other business activities from time to time undertaken by the Company (the "Restricted Business") except for the holding of not more than 5% shareholding interests (individually or collectively with his/its associates) in any company listed on a recognized stock exchange, provided that (i) at all times there should exist a third party shareholder holding (together, where appropriate, with its associates) a larger percentage of the shares in such listed company than the aggregate shareholding of the relevant Covenantor and his/its associates in such listed company; and (ii) the relevant Covenantor and his/its associates are not entitled to appoint a majority of the directors of that listed company;
- (b) either on his/its own account or for any person, solicit business from any person who has during the Restricted Period dealt with the Company or any member of the Group or who is in the process of negotiating with the Company or any other member of the Group in relation to the Restricted Business; and
- (c) directly or indirectly, employ or solicit for employment any person who has during the Restricted Period been a director, officer, manager, agent or servant of or consultant to any member of the Group and who by reason of such employment is or may be likely to be in possession of any confidential information in relation to the Group.

Details of the NCU are set out in the section headed "Relationship with Controlling Shareholders" in the Prospectus.

EQUITY-LINKED AGREEMENTS

Save as those disclosed in the sections headed "Reorganisation and Global Offering" and "Share Option Scheme" in this Directors' Report and also note 25 to the consolidated financial statements, no other equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2017.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Company as at 31 December 2017 are set out in note 26 to the consolidated financial statements.

DIRECTORS' REPORT (CONTINUED)

BORROWINGS

Particulars of loans of the Group as at 31 December 2017 are set out in note 21 to the consolidated financial statements.

MAJOR CUSTOMERS

The Group's customers are mainly tenants of the Group's investment properties.

For the year ended 31 December 2017, the revenue received in relation to the Group's five largest tenants accounted for approximately 41% of the Group's total revenue for the year whilst the revenue received in relation to the largest tenant accounted for approximately 11% of the Group's total revenue for the year.

Save for Thing On Capital Limited, being one of the largest tenant, none of the Directors or their close associates or, to the best of the knowledge of the Directors, shareholders who hold 5% or more in the issued share capital of the Company has any interest in the five largest tenants.

REMUNERATION POLICY

Directors and senior management receive compensation in the form of salaries, housing and other benefits in kind and/or discretionary bonuses. The Group also reimburses them for expenses which are necessarily and reasonably incurred for providing services or executing their functions in relation to the Group's operations. The Group regularly reviews and determines the remuneration and compensation packages of Directors and senior management.

The Remuneration Committee will review and determine the remuneration and compensation packages of Directors with reference to their experience, responsibilities, workload and time devoted to the Group and performance of the Group. Directors may also be offered options under the Share Option Scheme.

DIRECTORS' EMOLUMENTS

Details of the remuneration of the Directors for year ended 31 December 2017 are set out in note 9 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules since the Listing Date and up to the date of this report.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Company has established an 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.

DIRECTORS' REPORT (CONTINUED)

AUDITOR

The shares of the Company were listed on the Stock Exchange on 16 January 2018 and there has been no change in auditor since then. The consolidated financial statements for the year ended 31 December 2017 were audited by PricewaterhouseCoopers whose term of office will expire upon the conclusion of the 2018 AGM. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company is to be proposed at the 2018 AGM.

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

Hong Kong, 8 March 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Thing On Enterprise Limited

(incorporated in Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Thing On Enterprise Limited (the "Company") and its subsidiaries (the "Group") set out on pages 36 to 85, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

KEY AUDIT MATTERS

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of investment properties</p>	<p>How our audit addressed the Key Audit Matter</p>
<p>Refer to note 14 to the consolidated financial statements</p>	<p>We evaluated the competence, capabilities and objectivity of the management's external valuer.</p>
<p>As at 31 December 2017, the Group's investment properties were stated at fair value of HK\$1,666 million, with a fair value gain of HK\$159 million recorded in the consolidated statement of comprehensive income for the year.</p>	<p>With the assistance of our internal valuation experts, we performed the following:</p>
<p>Management has engaged an independent external valuer to perform a valuation of the investment properties. The external valuer used the direct comparison approach in substantially all of the valuation of the investment properties. The valuation of these investment properties requires significant judgement and estimates by the management and the valuer. The key inputs included unit sale rate.</p>	<ul style="list-style-type: none"> • we read the valuation reports for all properties, held discussions with the valuer and assessed the appropriateness of the valuation approach and the key assumptions (e.g. unit sale rate) used in the valuation based on our knowledge of the property industry and comparable market transactions for similar properties, where applicable, for determining the fair value of investment properties of the Group. • we checked the reliability and accuracy of the input data used by external valuer and compared the market transactions used by the valuer to our knowledge of the property market and published external data, such as transaction records, on a sampling basis.
<p>In determining a property's valuation, the valuer took into account properties of a similar nature, condition or location and made adjustments to comparable market transactions to arrive at the final valuation.</p>	
<p>As the fair value changes were significant to the consolidated financial statements and significant judgement is required in determining the fair values, specific audit focus was placed on this area.</p>	<p>We found that key assumptions used in the management's valuation of the investment properties was supported by the available evidence.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pong Fei Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 HK\$'000	2016 HK\$'000
Revenue	5	46,243	41,294
Cost of sales	7	(7,499)	(4,305)
Gross profit		38,744	36,989
Other income, gains/losses, net	6	11,193	2,297
Changes in fair value of investment properties	14	158,770	214,266
General and administrative expenses	7	(19,471)	(7,648)
Operating profit		189,236	245,904
Finance expenses	10	(3,614)	(44)
Profit before income tax		185,622	245,860
Income tax expenses	11	(4,895)	(5,015)
Profit for the year		180,727	240,845
Other comprehensive income		—	—
Profit and total comprehensive income attributable to owners of the Company		180,727	240,845
Earnings per share:			
Basic and diluted (Hong Kong cents)	13	33.47	44.60

The notes on pages 41 to 85 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 HK\$'000	2016 HK\$'000
ASSETS			
Non-current assets			
Investment properties	14	1,665,740	1,639,100
Property, plant and equipment	15	12,060	12,328
Deferred income tax assets	16	—	—
		1,677,800	1,651,428
Current assets			
Prepayments, deposits and other receivables		3,910	792
Tax prepayment		454	437
Cash and bank balances	17	14,071	30,946
		18,435	32,175
Assets of disposal group classified as held for sales	20	—	505,216
		18,435	537,391
Total assets		1,696,235	2,188,819
EQUITY			
Share capital		—	—
Reserves		1,340,242	1,005,251
Total equity attributable to owners of the Company		1,340,242	1,005,251

The notes on pages 41 to 85 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2017

	Note	2017 HK\$'000	2016 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	16	2,757	1,134
Borrowings	21	330,000	330,000
		332,757	331,134
Current liabilities			
Other payables and accruals	18	22,312	64,533
Amount due to ultimate holding company	19	336	781,693
Tax payable		588	2,202
		23,236	848,428
Liabilities of disposal group classified as held for sales	20	—	4,006
		23,236	852,434
Total liabilities		355,993	1,183,568
Net current liabilities		(4,801)	(315,043)
Total equity and liabilities		1,696,235	2,188,819

The consolidated financial statements on pages 36 to 85 were approved by the Board of Directors on 8 March 2018 and were signed on its behalf.

Wong Ka Yeung, Roland
Director

Chan Choi Wan, Rolie
Director

The notes on pages 41 to 85 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve (Note) HK\$'000	Retained earnings HK\$'000	
At 1 January 2016	—	—	3,990	760,416	764,406
Profit and total comprehensive income for the year	—	—	—	240,845	240,845
At 31 December 2016	—	—	3,990	1,001,261	1,005,251
At 1 January 2017	—	—	3,990	1,001,261	1,005,251
Issuance of shares (Note 25(a))	—	154,264	—	—	154,264
Profit and total comprehensive income for the year	—	—	—	180,727	180,727
At 31 December 2017	—	154,264	3,990	1,181,988	1,340,242

Note:

Revaluation reserve of the Group represents the revaluation surplus arising from the transfer of an owner-occupied property to an investment property which is carried at fair value.

The notes on pages 41 to 85 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 HK\$'000	2016 HK\$'000
Cash flows from operating activities			
Cash generated from operations	23	22,511	33,410
Hong Kong Profits Tax paid		(4,818)	(3,055)
Net cash generated from operating activities		17,693	30,355
Cash flows from investing activities			
Purchases of investment properties		—	(527,685)
Net cash outflow from disposal of subsidiaries	6	(1,021)	(63)
Net cash used in investing activities		(1,021)	(527,748)
Cash flows from financing activities			
(Repayments of)/advances from the ultimate holding company	23	(33,487)	197,457
Proceeds from borrowings	21	—	330,000
Listing expenses paid		(1,157)	(228)
Net cash (used in)/generated from financing activities		(34,644)	527,229
Net (decrease)/increase in cash and cash equivalents during the years		(17,972)	29,836
Cash and cash equivalents at beginning of years		32,043	2,207
Cash and cash equivalents at end of years		14,071	32,043
Analysis of balances of cash and cash equivalents			
Cash and bank balances	17	14,071	30,946
Cash and bank balances classified as assets held for sales	20(a)	—	1,097
		14,071	32,043

The notes on pages 41 to 85 are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Thing On Enterprise Limited (the “Company”) was incorporated in the Cayman Islands on 19 May 2016 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1-9007, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in property investment and management in Hong Kong. The ultimate holding company of the Company is Thing On Group Limited (“Thing On Group”) which is incorporated in the British Virgin Islands (“BVI”). The ultimate controlling shareholder of the Group is Mr. Wong Chung Tak Richard (“Mr. Wong”).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The principal accounting policies applied in the preparation of the consolidated financial statements which are in accordance with HKFRSs issued by the 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, 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 (the “Stock Exchange”) 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.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(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.

		Effective for annual periods beginning on or after
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

HKFRS 9 – Financial instruments

HKFRS 9, "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(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 (Continued)*

HKFRS 9 — Financial instruments (Continued)

HKFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivable this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

During the year ended 31 December 2017, all of the Group's financial assets and financial liabilities were carried at amortised costs without significant impairment on the former, the implementation of HKFRS 9 is not expected to result in any significant impact on the Group's financial position and results of operations.

HKFRS 15 — Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model of transfer of risks and rewards approach to transfer of control approach.

HKFRS 15 provides specific guidance on capitalization of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition including:

IFRIC/HK(IFRIC) 13 Customer Loyalty Programmes, IFRIC/HK(IFRIC) 15 Agreements for the Construction of Real Estate, IFRIC/HK(IFRIC) 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services.

The Group has two major revenue streams, namely (i) rental income and (ii) property management fee income. Management has performed an assessment and expects that the implementation of the HKFRS 15 would not result in any significant impacts on the Group's financial position and results of operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(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 (Continued)*

HKFRS 16 – Leases

HKFRS 16 addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on statement of financial position for lessees. The standard replaces HKAS 17 'Leases', and related interpretations.

The adoption of HKFRS 16 mainly impact on lessee, which has new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the statement of financial position. Instead, all long-term leases must be recognised in the statement of financial position in the form of assets (for the rights of use) and lease liabilities (for the payment obligations). Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the statement of financial position. In profit or loss, rental expenses will be replaced with depreciation and interest expense.

The principal business of the Group is property investment and management business. The Group is acting as the lessor of various office properties, retail properties and industrial properties. The Group does not have any operating lease commitments with the Group acting as lessee. Management has performed a preliminary assessment and expects that the implementation of the HKFRS 16 would not result in any significant impacts on the Group's financial position and results of operations.

Other than HKFRS 9, HKFRS 15 and HKFRS 16, the Group is in the process of assessing potential impact of the other new standards and amendments to standards above upon initial application. According to the preliminary assessment made by the Directors of the Company, management does not anticipate any significant impact on the Group's financial positions and results of operations upon adopting the other amendments to existing standards above.

2.2 Consolidation

(i) *Subsidiaries*

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

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(i) Subsidiaries (Continued)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in the consolidated statement of comprehensive income.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

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

(iv) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividend and receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(iv) Separate financial statements (Continued)

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

2.3 Segment reporting

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

2.4 Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

(iii) Group companies

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

- (1) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (2) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (3) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of comprehensive income for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the period in which the item is derecognised.

2.6 Property, plant and equipment

Property, plant and equipment including buildings, furniture, fixtures and office equipment held for use in the supply of services, or for administrative purposes, are stated in the consolidated financial statements at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, as follows:

Leasehold land held under a finance lease	Over the leased term of 50 years
Building	50 years
Furniture, fixtures and office equipment	4 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Trade and other receivables

Trade receivables are amounts due from customers for rental income and property management fee income in the ordinary course of business.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of a debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the provision is recognised in the consolidated statement of comprehensive income. When a receivable is uncollectible, it is written off against the allowance account for receivable. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive income.

If collection of other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life — for example, goodwill or intangible assets not ready to use — are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated statement of comprehensive income for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Non-current assets or disposal groups held-for-sales

Non-current assets or disposal groups are classified as held for sales when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Investment properties, which are classified as held for sales, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2.11 Other payables

Other payables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.13 Borrowing costs

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

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.14 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(iii) Offsetting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable for the sale of services rendered in the ordinary course of the Group's activities. Revenue is stated net of allowances for credit and other revenue reducing factors after eliminating sales within the Group.

Revenue is recognised when the amount can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria for each of the activities have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the activities have been resolved. Estimates are based on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(i) *Rental income*

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

(ii) *Property management fee income*

Property management fee income is recognised when services are rendered.

(iii) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

(iv) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

2.17 Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the consolidated statement of financial position date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Bonus plan*

Provisions for bonus plans are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) *Defined contribution schemes*

Contributions to defined contribution schemes, including the Mandatory Provident Fund ("MPF") Scheme, are expensed as incurred.

2.18 Operating leases

Group as the lessor to operating leases

Where assets are leased out under an operating lease, the asset is included in the consolidated statement of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in consolidated financial statements in the period when the dividends are approved by the Company's shareholders/directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, interest rate risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. It is the Group's policy not to enter into derivative transaction for speculative purposes.

The Group sets financial risk management policies in accordance with policies and procedures approved by the Board of Directors. The Board of Directors identifies and evaluates any financial risks in close co-operation with the Group's operating units and provides written principles for overall risk management.

(i) Credit risk

The credit risk of the Group mainly arises from deposits and other receivables and deposits with banks and financial institutions.

Deposits are mainly placed with high-credit-quality financial institutions. In respect of credit exposures to customers, the Group has policies in place to assess credit history of customers and carries out follow-up actions on overdue amounts to minimise the credit risk exposure. The Group has no significant concentrations of credit risk as they have a large number of customers.

The maximum exposure to credit risk is represented by the carrying amount of each receivable in the statement of financial position after deducting any impairment allowance.

(ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During the year ended 31 December 2017, the Group's borrowings at variable rate were denominated in Hong Kong dollar.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

If interest rates on Hong Kong dollar-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, profit for the year ended 31 December 2017 would have been HK\$1,650,000 (2016: HK\$1,650,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(iii) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. It is the policy of the Group to regularly monitor current and expected liquidity requirements and to ensure that adequate funding is available for operating, investing and financing activities. The Group also maintains undrawn committed credit facilities to further reduce liquidity risk in meeting funding requirements.

The tables below analyse the Group's financial liabilities into relevant maturity groups based on the remaining period at the end of the reporting periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates). Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant. For the balances due more than 12 months, the management considers their carrying amounts approximate to their present values. The impact of discounting is not significant and the balances represent their contractual undiscounted cash flows.

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Total HK\$'000
At 31 December 2016				
Other payables and accruals	9,850	2,087	798	12,735
Amount due to ultimate holding company	781,693	—	—	781,693
Borrowings	4,070	4,026	333,982	342,078
Subtotal	795,613	6,113	334,780	1,136,506
At 31 December 2017				
Other payables and accruals	9,929	3,351	4,405	17,685
Amount due to ultimate holding company	336	—	—	336
Borrowings	7,272	333,574	—	340,846
Subtotal	17,537	336,925	4,405	358,867

3.2 Fair value estimation

The carrying amounts of the Group's current financial assets and liabilities approximate their fair values due to the short-term maturities of these assets and liabilities. See Note 14 for disclosure of the investment properties that are measured at fair value and Note 21 for the disclosure of borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Capital risk management

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

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and enhance shareholder value in the long term. The capital structure consists of total equity and borrowings as shown in the consolidated statement of financial position. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to owner, or issue new shares.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "non-current borrowings" but excluding "amount due to ultimate holding company" as shown in the consolidated statement of financial position) less cash at banks and on hand. Total equity represents the sum of consolidated capital and reserves, as disclosed in the consolidated statement of financial position.

	2017 HK\$'000	2016 HK\$'000
Total borrowings (Note 21)	330,000	330,000
Less: cash at banks and on hand (Note 17)	(14,071)	(30,946)
Net debt	315,929	299,054
Total equity	1,340,242	1,005,251
Gearing ratio	23.57%	29.70%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

4.1 Estimate of fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in Note 14. The fair values were based on a valuation on these properties conducted by an independent firm of professional valuer using property valuation techniques which involve certain assumptions of market conditions. Favorable or unfavorable changes to these assumptions would result in changes in the fair values of the Group's investment properties and corresponding adjustment to the amount of gain or loss recognised in the consolidated statement of comprehensive income.

4.2 Current taxation and deferred taxation

Under HKAS 12 (Amendment), there is a rebuttable presumption that the carrying amount of investment properties using fair value model will be recovered through sale. The Group has not rebutted this presumption and accordingly, no provision for deferred tax is made on the changes in fair value of investment properties as there is no capital gain tax in Hong Kong.

5 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 HK\$'000	2016 HK\$'000
Total segment revenue		
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)
	46,243	41,294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 REVENUE AND SEGMENT INFORMATION (Continued)

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 (Note 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 REVENUE AND SEGMENT INFORMATION (Continued)

(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)
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 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
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	—	—	—	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 REVENUE AND SEGMENT INFORMATION (Continued)

(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)
Revenue	23,503	6,810	6,758	4,223	41,294
Segment profit	165,272	28,835	49,858	2,714	246,679
Unallocated corporate income and expenses, net					(819)
Profit before income tax					245,860
Income tax expenses					(5,015)
Profit for the year					240,845
Other item					
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 HK\$'000	Retail properties HK\$'000	Industrial properties HK\$'000	Property management HK\$'000	Total HK\$'000
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
Unallocated assets	1,439,026	485,800	250,350	12,805	2,187,981
Total assets					838
					2,188,819

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

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

	Office properties HK\$'000	Retail properties HK\$'000	Industrial properties HK\$'000	Property management HK\$'000	Total HK\$'000
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)
Unallocated liabilities	(63,840)	(3,467)	(4,484)	(7,297)	(79,088)
					(1,104,480)
Total liabilities					(1,183,568)
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:

	2017 HK\$'000	2016 HK\$'000
Customer A	5,181	4,934
Customer B	4,800	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 OTHER INCOME, GAINS/LOSSES, NET

	2017 HK\$'000	2016 HK\$'000
Gain on disposal of subsidiaries (Notes (a) to (c))	11,095	2,297
Sundries	98	—
	11,193	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 (Note 23(c))	8,380
Total consideration received	8,380
Fair value of net assets disposed	6,083
Gain on disposal	2,297

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

	HK\$'000
Investment property — Honour Industrial Centre (Note 14)	6,020
Cash and bank balance	63
Net assets disposed	6,083

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)
Net cash outflow from disposal of a subsidiary	(63)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 OTHER INCOME, GAINS/LOSSES, NET (Continued)

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.

	HK\$'000
Consideration received:	
— Received by the ultimate holding company on behalf of the Group (Notes 23(c) and 23(e))	509,503
Total consideration received	509,503
Fair value of net assets disposed	501,278
Gain on disposal	8,225

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

	HK\$'000
Investment property — United Centre (Note 14)	504,000
Other receivables/(payables), net	(2,825)
Cash and bank balance	103
Net assets disposed	501,278

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

	HK\$'000
Cash and cash equivalents disposed	(103)
Net cash outflow from disposal of subsidiaries	(103)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 OTHER INCOME, GAINS/LOSSES, NET (Continued)

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.

	HK\$'000
Consideration received:	
— Received by the ultimate holding company on behalf of the Group (Note 23(c))	135,326
Total consideration received	135,326
Fair value of net assets disposed	132,456
Gain on disposal	2,870

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

	HK\$'000
Investment properties — Entrepot Centre (Note 14)	132,130
Other receivables/(payables), net	(592)
Cash and bank balance	918
Net assets disposed	132,456

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

	HK\$'000
Cash and cash equivalents disposed	(918)
Net cash outflow from disposal of subsidiaries	(918)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 EXPENSES BY NATURE

	2017 HK\$'000	2016 HK\$'000
Direct operating expenses arising from investment properties generating rental income (Note)	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 (Note 15)	268	268
Employee benefit expenses (including directors' emoluments) (Note 8)	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
Total cost of sales and general and administrative expenses	26,970	11,953

Note:

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

8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2017 HK\$'000	2016 HK\$'000
Fees	17	—
Salaries, wages and bonuses	5,919	5,312
Contributions to defined contribution schemes	200	192
	6,136	5,504

9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

	2017 HK\$'000	2016 HK\$'000
Fees	17	—
Salaries and other emoluments	1,837	1,625
Contributions to defined contribution schemes	43	33
	1,897	1,658

The Directors of the Company represent key management personnel of the Group having authority and responsibility for planning, directing and controlling the activities of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments

(i) The remuneration of each director for the year ended 31 December 2017 is set out below:

	Fees HK\$'000	Salary and bonuses HK\$'000	Other benefits HK\$'000	Employer's contribution to pension scheme HK\$'000	Compensation for loss of office as director HK\$'000	Total HK\$'000
Executive directors:						
Wong Ka Yeung Roland	—	325	—	15	—	340
Chan Choi Wan Rolie*	—	212	—	10	—	222
Non-executive directors:						
Wong Chung Tak Richard	—	1,300	—	18	—	1,318
Independent non-executive directors:						
Chan Kam Ping#	6	—	—	—	—	6
Wong King Wai Kirk#	6	—	—	—	—	6
Wen Cyrus Jun-ming#	5	—	—	—	—	5

(ii) The remuneration of each director for the year ended 31 December 2016 is set out below:

	Fees HK\$'000	Salary and bonuses HK\$'000	Other benefits HK\$'000	Employer's contribution to pension scheme HK\$'000	Compensation for loss of office as director HK\$'000	Total HK\$'000
Executive director:						
Wong Ka Yeung Roland	—	325	—	15	—	340
Non-executive director:						
Wong Chung Tak Richard	—	1,300	—	18	—	1,318

* Appointed as an executive director on 6 June 2017

Appointed as independent non-executive directors on 15 December 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' emoluments (Continued)

Notes:

During the years ended 31 December 2017 and 2016,

- (1) no emoluments were paid by the Group to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.
- (2) no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services.
- (3) there are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities.
- (4) save as disclosed elsewhere in the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the year.
- (5) none of the directors of the Company waived any emoluments.

(b) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group during the year ended 31 December 2017, including 3 directors in 2017 (2016: 2 directors included), whose emoluments are reflected in the analysis presented above. The total emoluments paid to the remaining 2 individuals in 2017 (2016: 3 individuals) during the respective years ended on 31 December, are as follows:

	2017 HK\$'000	2016 HK\$'000
Fees, basic salaries, housing allowances, other allowances and benefits in kind and bonuses	1,695	1,522
Emolument bands		
Nil — HK\$1,000,000	1,695	1,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 FINANCE EXPENSES

	2017 HK\$'000	2016 HK\$'000
Interest expenses on borrowings	3,614	44

11 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 (Note 16)	1,623	120
	4,895	5,015

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 BVI 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:

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

12 DIVIDEND

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 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 (as defined in Note 27) which took place on 16 January 2018.

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

(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.

14 INVESTMENT PROPERTIES

	HK\$'000
Fair value	
At 1 January 2016	1,305,020
Additions (Note (d) and Note (e))	629,834
Transfer to disposal group classified as assets held for sales (Note (c), Note 6 and Note 20)	(504,000)
Disposal of a subsidiary (Note 6)	(6,020)
Changes in fair value of investment properties	214,266
At 31 December 2016	1,639,100
Disposal of subsidiaries (Note 6)	(132,130)
Changes in fair value of investment properties	158,770
At 31 December 2017	1,665,740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 INVESTMENT PROPERTIES (Continued)

Notes:

- (a) None of the above investment properties was pledged as security as at 31 December 2017 (2016: nil).
- (b) Investment properties transferred to the disposal group classified as held for sales amounting to HK\$504,000,000 during the year ended 31 December 2016 relate to assets held by Fession Group Limited (Note 20).
- (c) Acquisition of office properties in Wan Chai Commercial Centre

On 30 December 2016, the Group acquired of multiple units of office properties ("Wan Chai Commercial Centre units") located in the Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wanchai, Hong Kong at a consideration of HK\$368,526,000. As of the transaction date, the fair value of the properties acquired is HK\$397,870,000. As the transaction is considered as an asset deal, the difference of HK\$29,344,000 between the consideration and the fair value of the properties is recognised in the changes in fair value of investment properties for the year ended 31 December 2016.

- (d) Acquisition of office property in BEA Harbour View Centre

On 28 November 2016, the Group acquired a unit of office property ("BEA Harbour View Centre unit") located in 16th Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong at a consideration of HK\$160,461,000. As of the transaction date, the fair value of the property acquired is HK\$169,600,000. As the transaction is considered as an asset deal, the difference of HK\$9,139,000 between the consideration and the fair value of the properties is recognised in the changes in fair value of investment properties for the year ended 31 December 2016.

- (e) Valuation processes of the Group

The fair values of the investment properties, including both land and building elements held by the Group at the end of the reporting period have been arrived on the basis of a valuation carried out on that date by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Jones Lang LaSalle Corporate Appraisal and Advisory Limited is an independent firm of professional valuer not connected with the Group, who has appropriate qualifications and experience in the valuation of investment properties in the relevant locations.

The valuation of the investment properties held by the Group is made on the basis of market value, which conforms to the requirements set out in "The HKIS Valuation Standards on Properties (2012)" published by Hong Kong Institute of Surveyors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(e) Valuation processes of the Group (Continued)

The Group's finance team reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the chief financial officer ("CFO"). Discussion of valuation processes and results are held between the CFO and the finance team annually. At the end of the reporting period, the Group:

- (i) verifies all major inputs to the independent valuation report;
- (ii) assesses property valuation movements when compared to the prior year valuation reports; and
- (iii) holds discussions with the independent valuers.

The different levels of fair value measurement have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The table presents the Group's investment properties that are measured at fair value using significant unobservable inputs (Level 3) at 31 December 2017 and 2016 as follows:

	2017 HK\$'000	2016 HK\$'000
Recurring fair value measurements		
Investment properties		
— Office — Hong Kong	1,023,890	903,700
— Retail — Hong Kong	512,850	485,270
— Industrial — Hong Kong	129,000	250,130
	1,665,740	1,639,100

There were no transfers between levels 1, 2 and 3 during the year ended 31 December 2017 and 2016.

(f) Valuation techniques and inputs

Fair values of investment properties in Hong Kong were generally derived using direct comparison approach. There were no changes to the valuation technique during the years ended 31 December 2017 and 2016. Direct comparison approach is based on assuming sales of the properties in its existing state by making reference to comparable market transactions as available in the relevant market. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the properties under consideration.

The valuation takes into account the characteristics of the properties, which included the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price.

The key input was the unit rate of market price, which a significant increase/decrease in the unit rate of market price would result in a significant increase/decrease in the fair value of the properties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(g) Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2017 HK\$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Office properties in Hong Kong	1,023,890	Direct comparison	Unit sale rate	HK\$12,796/sq. ft. to HK\$54,553/sq. ft.	An increase in the market unit sale rate would result in an increase in fair value, and vice versa
Retail properties in Hong Kong	512,850	Direct comparison	Unit sale rate	HK\$6,353/sq. ft. to HK\$116,531/sq. ft.	An increase in the market unit sale rate would result in an increase in fair value, and vice versa
Industrial properties in Hong Kong	129,000	Direct comparison	Unit sale rate	HK\$3,316/sq. ft. to HK\$3,882/sq. ft.	An increase in the market unit sale rate would result in an increase in fair value, and vice versa
	1,665,740				

Description	Fair value at 31 December 2016 HK\$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Office properties in Hong Kong	903,700	Direct comparison	Unit sale rate	HK\$11,525/sq. ft. to HK\$50,839/sq. ft.	An increase in the market unit sale rate would result in an increase in fair value, and vice versa
Retail properties in Hong Kong	485,270	Direct comparison	Unit sale rate	HK\$5,746/sq. ft. to HK\$135,241/sq. ft.	An increase in the market unit sale rate would result in an increase in fair value, and vice versa
Industrial properties in Hong Kong	250,130	Direct comparison	Unit sale rate	HK\$3,032/sq. ft. to HK\$15,995/sq. ft.	An increase in the market unit sale rate would result in an increase in fair value, and vice versa
	1,639,100				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 INVESTMENT PROPERTIES (Continued)

The movements for the years ended 31 December 2017 and 2016 in the balance of recurring Level 3 fair value measurements, with one or more of the significant inputs based on unobservable inputs, are as follows:

	Office properties HK\$'000	Retail properties HK\$'000	Industrial properties HK\$'000	Total HK\$'000
At 1 January 2016	945,100	245,900	114,020	1,305,020
Additions	330,070	199,856	99,908	629,834
Transfer to disposal group classified as assets held for sales (Note 20)	(504,000)	—	—	(504,000)
Disposal of a subsidiary (Note 6)	—	—	(6,020)	(6,020)
Changes in fair value of investment properties	132,530	39,514	42,222	214,266
At 31 December 2016	903,700	485,270	250,130	1,639,100
At 1 January 2017	903,700	485,270	250,130	1,639,100
Disposal of subsidiaries (Note 6)	—	—	(132,130)	(132,130)
Changes in fair value of investment properties	120,190	27,580	11,000	158,770
At 31 December 2017	1,023,890	512,850	129,000	1,665,740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 PROPERTY, PLANT AND EQUIPMENT

	Land and building HK\$'000	Furniture, fixtures, and office equipment HK\$'000	Total HK\$'000
Cost			
At 1 January 2016, 31 December 2016 and 31 December 2017	13,400	3,169	16,569
Depreciation			
At 1 January 2016	804	3,169	3,973
Charge for the year	268	—	268
At 31 December 2016	1,072	3,169	4,241
Charge for the year	268	—	268
At 31 December 2017	1,340	3,169	4,509
Carrying value			
At 31 December 2016	12,328	—	12,328
At 31 December 2017	12,060	—	12,060

The depreciation expense for property, plant and equipment is charged to general and administrative expenses in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

	2017 HK\$'000	2016 HK\$'000
Deferred income tax assets	—	—
Deferred income tax liabilities	(2,757)	(1,134)
	(2,757)	(1,134)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax relates to the same fiscal authority. Deferred income tax assets are expected to be recovered after more than twelve months while deferred income tax liabilities are expected to be settled after more than twelve months. The movements in the Group's deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year are as follows:

Deferred income tax assets

	Tax losses HK\$'000
As at 1 January 2016	12
Charged to consolidated statement of comprehensive income	(12)
As at 31 December 2016	—
Charged to consolidated statement of comprehensive income	—
At 31 December 2017	—

Deferred income tax liabilities

	Accelerated tax depreciation HK\$'000
As at 1 January 2016	(1,026)
Charged to consolidated statement of comprehensive income	(108)
As at 31 December 2016	(1,134)
Charged to consolidated statement of comprehensive income	(1,623)
At 31 December 2017	(2,757)

As at 31 December 2017, the Group did not recognise deferred tax assets of HK\$717,000 (2016: HK\$428,000), in respect of tax losses of HK\$4,346,000 (2016: HK\$2,594,000) as there is uncertainty around the existence of suitable future taxable profits against which carried forward tax losses can be recovered. These tax losses have no expiry date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 CASH AND BANK BALANCES

	2017 HK\$'000	2016 HK\$'000
Cash at banks and on hand	14,071	30,946

The carrying amounts of cash and bank balances of the Group approximate their fair values and are denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
Hong Kong dollars	14,055	30,944
United States dollars	16	2
	14,071	30,946

18 OTHER PAYABLES AND ACCRUALS

	2017 HK\$'000	2016 HK\$'000
Rental deposits	9,967	10,619
Rental receipt in advance	968	531
Accruals and other payables	11,377	2,160
Receipt in advance for disposal of subsidiaries (Note)	—	51,223
	22,312	64,533

The carrying amounts of the rental deposits approximate their fair values and are denominated in Hong Kong dollars.

Note:

The receipt in advance for disposal of subsidiaries represents the deposit received by ultimate holding company on behalf of the Group for the disposal of Fession Group Limited. For the details of the transaction, please refer to Note 20 to the consolidated financial statements.

19 AMOUNT DUE TO ULTIMATE HOLDING COMPANY

	2017 HK\$'000	2016 HK\$'000
Ultimate holding company (Note 24(c))	336	781,693

The amount due to ultimate holding company is unsecured, interest-free, repayable on demand and non-trading in nature. The carrying amount of the amount due to ultimate holding company is denominated in Hong Kong dollars. The amount due to ultimate holding company of HK\$154,264,463 has been capitalised on 15 December 2017 as mentioned in Note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 ASSETS AND LIABILITIES OF DISPOSAL GROUP HELD FOR SALES

The assets and liabilities related to Fession Group Limited, a wholly owned subsidiary of the Group, have been presented as held for sales following the approval of the Group's management and owner on 7 November 2016 to sell Fession Group Limited to Delight Keen Limited, an independent third party. As at 31 December 2016, a deposit of HK\$51,223,000 has been received by the ultimate holding company on behalf of the Group and the amount is classified as current liabilities. The transaction was completed on 25 January 2017.

(a) Assets of disposal group classified as held for sales

	2016 HK\$'000
Investment property	504,000
Cash and bank balances	1,097
Other current assets	109
Tax Prepayment	10
Total	505,216

(b) Liabilities of disposal group classified as held for sales

	2016 HK\$'000
Other payables and accruals	4,006

The fair value of investment property has been derived using direct comparison approach, assuming sales of the property in its existing state by making reference to comparable market transactions as available in the relevant market. For details, please refer to Note 14.

21 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21 BORROWINGS (Continued)

The Group's borrowings were repayable as follows:

	2017 HK\$'000	2016 HK\$'000
Between 1 and 2 years	330,000	—
Between 2 and 5 years	—	330,000
Total	330,000	330,000

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:

	2017 HK\$'000	2016 HK\$'000
6 months or less	330,000	330,000
Total	330,000	330,000

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.

22 COMMITMENTS

The Group has future aggregate minimum lease receipts under non-cancellable operating leases in respect of investment properties as follows:

	2017 HK\$'000	2016 HK\$'000
No later than one year	28,839	31,468
Later than one year and no later than five years	25,731	23,947
	54,570	55,415

The Group's operating leases are for terms of 1 to 3 years as at 31 December 2017 and 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before income tax to cash generated from operations:

	2017 HK\$'000	2016 HK\$'000
Profit before income tax	185,622	245,860
Interest expenses	3,614	44
Depreciation of property, plant and equipment	268	268
Changes in fair value of investment properties	(158,770)	(214,266)
Gain on disposal of subsidiaries	(11,095)	(2,297)
Operating cash flows before changes in working capital	19,639	29,609
Changes in working capital:		
— Deposits and other receivables	(1,926)	(60)
— Other payables and accruals	4,798	3,861
Cash generated from operations	22,511	33,410

The reconciliation of liabilities arising from financing activities is as follows:

	Amount due to ultimate holding company HK\$'000	Borrowings HK\$'000	Total HK\$'000
As of 1 January 2016	570,330	—	570,330
Cash inflows from financing activities	197,457	330,000	527,457
Non-cash changes			
— Receipt in advance for the disposal of subsidiaries (Note (e))	(51,223)	—	(51,223)
— Acquisitions of subsidiaries with investment properties (Note (a))	99,252	—	99,252
— Proceed from disposal of a subsidiary (Note (c))	(8,380)	—	(8,380)
— Settlement of amount due from related companies (Note (b))	(22,150)	—	(22,150)
— Settlement of accounts receivables	(3,593)	—	(3,593)
As of 31 December 2016	781,693	330,000	1,111,693
As of 1 January 2017	781,693	330,000	1,111,693
Cash outflows from financing activities	(33,487)	—	(33,487)
Non-cash changes			
— Proceed from disposal of subsidiaries (Note (c))	(593,606)	—	(593,606)
— Issuance of shares (Note (d))	(154,264)	—	(154,264)
As of 31 December 2017	336	330,000	330,336

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Note:

Major non-cash transactions:

- (a) During the year ended 31 December 2016, the acquisition of Pop Act Limited and its subsidiaries and Fresh One Inc., subsidiaries of the Group, with investment properties and other assets and liabilities for consideration of HK\$99,252,000 was paid by ultimate holding company on behalf of the Group.
- (b) During the year ended 31 December 2016, the amounts due from related companies of HK\$22,150,000 were settled by ultimate holding company on behalf of the related companies.
- (c) During the years ended 31 December 2017 and 2016, the proceeds from disposal of subsidiaries of HK\$593,606,000 and HK\$8,380,000, were received by ultimate holding company on behalf of the Group.
- (d) On 15 December 2017, one share has been allotted and issued to Thing On Group at the consideration of HK\$154,264,463 for the capitalisation of the amount due to ultimate holding company of HK\$154,264,463.
- (e) During the year ended 31 December 2016, the receipt in advance for the disposal of Fession Group Limited amounting to HK\$51,223,000 was received by the ultimate holding company on behalf of the Group.

24 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group undertook the following transactions with related companies, which in the opinion of the Directors of the Company, were carried out in the normal course of business during the year ended 31 December 2017.

- (a) The Directors of the Company are of the view that the principal related company that had transactions with the Group is listed below:

Name	Relationship
Thing On Capital Limited	Note

Note:

The related company is commonly controlled by Mr. Wong.

- (b) Transactions with the related company:

	2017 HK\$'000	2016 HK\$'000
Rental income and property management fee income (Note) The related company commonly controlled by Mr. Wong	5,181	4,934

Note:

Rental income and property management fee income are charged at a fixed amount agreed by the parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with the related company

	2017 HK\$'000	2016 HK\$'000
Amount due to: Ultimate holding company (Note 19)	336	781,693

(d) Key management compensation

Key management includes directors and senior managements of the Group. The compensation paid or payable to key management for employee services is shown below:

	2017 HK\$'000	2016 HK\$'000
Fees	17	—
Salaries and other emoluments	3,466	2,470
Contributions to defined contribution schemes	95	66
	3,578	2,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	2017 HK\$'000	2016 HK\$'000
ASSETS			
Non-current asset			
Investment in subsidiaries		716,219	—
Current assets			
Deferred listing expenses	(a)	3,000	—
Amounts due from subsidiaries		250,867	—
Cash and bank balances		7,239	39
		261,106	39
Total assets		977,325	39
EQUITY			
Share capital	(b)	—	—
Reserves	(c)	860,333	(21)
Total equity/(deficit) attributable to owners of the Company		860,333	(21)
LIABILITIES			
Current liabilities			
Accrued expense		7,409	—
Amount due to a subsidiary		109,247	—
Amount due to ultimate holding company		336	60
Total liabilities		116,992	60
Net current assets/(liabilities)		144,114	(21)
Total equity and liabilities		977,325	39

The statement of financial position of the Company was approved by the Board of Directors on 8 March 2018 and was signed on its behalf.

Wong Ka Yeung, Roland
Director

Chan Choi Wan, Rolie
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

- (a) The deferred listing expenses are incurred in connection with the listing of the Company and will be deducted from equity upon listing of the Company.

(b) Share capital of the Company

The Company was incorporated in the Cayman Islands on 19 May 2016. At the date of incorporation, the authorised share capital is HK\$380,000 comprising 7,600,000,000 ordinary shares of HK\$0.00005 each.

On 20 May 2016, 1 share was allotted, issued and paid at HK\$0.00005 by Elian Nominees (Cayman) Limited which was transferred to Thing On Group on the same date.

On 15 December 2017, the Company entered into the share exchange agreement with Thing On Group in respect of the transfer of the entire issued share capital of each of Thing On Investment (China) Limited, Asset Partners Group Limited, Value Shine Limited, Lightway Group Limited, Fulltow Investments Limited, Wealth Range Limited, Super Express Properties Limited, Fancy Terrace Limited, Excellent Generation Limited, Power Net Properties Limited and Branding Good Limited from Thing On Group to the Company, in consideration of which the Company issued and allotted one share credited as fully paid to Thing On Group. The transfers were all completed on 15 December 2017.

On the same date, the Company entered into the assignment deed with Thing On Group in respect of the assignment of the entire shareholders' loans owing by each of Thing On Investment (China) Limited, Value Shine Limited, Lightway Group Limited, Fulltow Investments Limited and Super Express Properties Limited from Thing On Group as assignor to the Company as assignee in the total sum of HK\$154,264,463 (the "Loans"). The assignments were all completed on 15 December 2017. One share has been allotted and issued to Thing On Group in consideration of the capitalisation of the Loans.

The movement of share capital is as follows:

Authorised shares:

	Number of shares (thousands)	HK\$'000
At 19 May 2016 (Date of Incorporation), 31 December 2016 and 31 December 2017	7,600,000	380

Ordinary shares, issued and fully paid:

	Number of shares (thousands)	HK\$'000
At 19 May 2016 (Date of Incorporation)	—	—
Issuance of share (Note (i))	—	—
At 31 December 2016	—	—
Issuance of shares (Note (ii))	—	—
At 31 December 2017	—	—

Notes:

- (i) 1 share is issued and allotted to Thing On Group at HK\$0.00005.
- (ii) 1 share is issued and allotted to Thing On Group at HK\$0.00005 and 1 share is issued and allotted to Thing On Group at HK\$154,264,463.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(c) Reserve movement of the Company

	Share premium	Other reserves (Note)	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 19 May 2016 (Date of Incorporation)	—	—	—	—
Loss for the period	—	—	(21)	(21)
At 31 December 2016	—	—	(21)	(21)
At 1 January 2017	—	—	(21)	(21)
Surplus arising on issue of share in connection with the Reorganisation	—	716,219	—	716,219
Issuance of share (Note 25(a))	154,264	—	—	154,264
Loss for the year	—	—	(10,129)	(10,129)
At 31 December 2017	154,264	716,219	(10,150)	860,333

Note:

Other reserves of the Company represent the difference between the net asset value of the acquired subsidiaries acquired by the Company over the nominal value of the share capital of the Company issued in exchange thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES

The Company had direct or indirect interests in the following principal subsidiaries as at 31 December 2017:

Company name	Date of incorporation	Country/place of incorporation/ establishment	Registered issued and paid-up capital	Attributable equity interest of the Group		Principal activities
				2017	2016	
Directly owned subsidiaries:						
Asset Partners Group Limited	9 August 2001	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$1	100%	100%	Property investment
Branding Good Limited	26 October 2016	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$1	100%	100%	Provision of financial services to group companies
Excellent Generation Limited	8 August 2016	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$1	100%	100%	Property investment
Fancy Terrace Limited	11 June 2013	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$1	100%	100%	Property investment
Fession Group Limited	13 September 2012	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$1	—	100%	Investment holding
Fresh One Inc.	15 March 2016	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$1	—	100%	Property investment
Fulltow Investments Limited	15 October 2012	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$1	100%	100%	Investment holding
Lightway Group Limited	13 September 2012	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$1	100%	100%	Investment holding
Pop Act Limited	28 September 2015	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$1	—	100%	Investment holding
Power Net Properties Limited	20 July 2016	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$1	100%	100%	Property investment
Super Express Properties Limited	29 October 2013	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$1	100%	100%	Property investment
Thing On Investment (China) Limited	6 September 2001	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$1	100%	100%	Investment holding
Value Shine Limited	15 May 2009	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$1	100%	100%	Investment holding
Wealth Range Limited	28 February 2013	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$1	100%	100%	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26 SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES (Continued)

Company name	Date of incorporation	Country/place of incorporation/ establishment	Registered issued and paid-up capital	Attributable equity interest of the Group		Principal activities
				2017	2016	
Indirectly owned subsidiaries:						
Fenright Corporation Limited	22 May 2009	Hong Kong	1 ordinary share paid up to HK\$1	—	100%	Property investment
Grandtex Development Limited	27 January 1994	Hong Kong	100 ordinary shares paid up to HK\$100	100%	100%	Property investment
Imperial Industrial Limited	29 June 2005	Hong Kong	10,000 ordinary share paid up to HK\$10,000	—	100%	Property investment
Prime Tech Investment Development Limited	29 March 2010	Hong Kong	1 ordinary share paid up to HK\$1	—	100%	Property investment
Rich Concord Properties Limited	17 February 2009	Hong Kong	2 ordinary share paid up to HK\$2	—	100%	Property investment
Sherman Investment Limited	29 March 2010	Hong Kong	1 ordinary share paid up to HK\$1	—	100%	Property investment
Stadium Holdings Limited	16 February 2000	Hong Kong	2 ordinary shares paid up to HK\$2	—	100%	Property investment
Thing On Holdings Limited	27 September 1985	Hong Kong	2 ordinary shares paid up to HK\$2	100%	100%	Provision of management services including property management
Topfield HK Development Limited	1 June 2009	Hong Kong	1 ordinary share paid up to HK\$1	—	100%	Property investment
Trinity Sino Limited	3 March 2010	Hong Kong	1 ordinary share paid up to HK\$1	100%	100%	Property investment
Yue Tin Development Limited	20 March 1990	Hong Kong	2 ordinary shares paid up to HK\$2	100%	100%	Property investment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27 SUBSEQUENT EVENTS

- (i) By a shareholders' resolution dated 15 December 2017 and conditional upon the share premium amount of the Company being credited as a result of the proposed offering of the Company's shares, the Company issued additional 539,999,997 shares, credited as fully paid, to the existing shareholders of the Company on 16 January 2018 (the "Capitalisation Issue").
- (ii) By a shareholders' resolution dated 15 December 2017, the Company conditionally adopted a share option scheme under which the board of directors may grant options to selected participants of the Group to acquire shares of the Company. No options have been granted up to the date of this report.
- (iii) On 16 January 2018, the Company was listed on the Stock Exchange with the global offering of ordinary shares of HK\$0.00005 each of the Company, including, a public offering in Hong Kong of 54,000,000 shares and an international placing of 126,000,000 shares at a price of HK\$1.24 per share. The net proceeds from the global offering amounting to HK\$194.0 million (after deduction of underwriting, transaction levy and trading fee) were received upon listing.

PARTICULAR OF THE MAJOR PROPERTIES HELD

Property address	Property Type	Tenure	Attributable interest of the Group
Office			
Office Unit A and the Lavatory on 24th Floor, World-Wide House, No.19 Des Voeux Road Central, Central, Hong Kong	Office	Medium term lease	100%
16th Floor, Bank of East Asia Harbour View Centre, No. 56 Gloucester Road, Wan Chai, Hong Kong	Office	Medium term lease	100%
17th Floor and Car Parking Space Nos. 18 to 20 on 2nd Floor, Bank of East Asia Harbour View Centre, No.56 Gloucester Road, Wan Chai, Hong Kong	Office	Medium term lease	100%
Office A on 7th Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Office	Long term lease	100%
Office B on 7th Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Office	Long term lease	100%
Office C on 7th Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Office	Long term lease	100%
Office A on 8th Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Office	Long term lease	100%
Office B on 8th Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Office	Long term lease	100%
Office C on 8th Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Office	Long term lease	100%
Office A on 9th Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Office	Long term lease	100%

PARTICULAR OF THE MAJOR PROPERTIES HELD (CONTINUED)

Property address	Property Type	Tenure	Attributable interest of the Group
Office B on 9th Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Office	Long term lease	100%
Office C on 9th Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Office	Long term lease	100%
Office A on 16th Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Office	Long term lease	100%
Office B on 16th Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Office	Long term lease	100%
Office C on 16th Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Office	Long term lease	100%
Office A on 17th Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Office	Long term lease	100%
Office B on 17th Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Office	Long term lease	100%
Office C on 17th Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Office	Long term lease	100%
Office A on 18th Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Office	Long term lease	100%
Office B on 18th Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Office	Long term lease	100%
Office C on 18th Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Office	Long term lease	100%

PARTICULAR OF THE MAJOR PROPERTIES HELD (CONTINUED)

Property address	Property Type	Tenure	Attributable interest of the Group
Retail			
Shop Nos.4 & 5 on Ground Floor, Flats 1 to 8 on 1st Floor, Flats 3 & 4 on 2nd Floor, South Wall Mansion Nos.63, 63A, 65, 67, 69 & 71 South Wall Road, Kowloon City, Kowloon, Hong Kong	Retail	Short term lease	100%
Unit A on Ground Floor with Rear Yard, Glory Rise, No.128 Chun Yeung Street, North Point, Hong Kong	Retail	Long term lease	100%
Unit B on Ground Floor with Rear Yard, Glory Rise, No.128 Chun Yeung Street, North Point, Hong Kong	Retail	Long term lease	100%
Unit C on Ground Floor, Glory Rise, No.128 Chun Yeung Street, North Point, Hong Kong	Retail	Long term lease	100%
Unit D on Ground Floor, Glory Rise, No.128 Chun Yeung Street, North Point, Hong Kong	Retail	Long term lease	100%
Unit E on Ground Floor with Rear Yard, Glory Rise, No.128 Chun Yeung Street, North Point, Hong Kong	Retail	Long term lease	100%
Unit F on Ground Floor with Rear Yard, Glory Rise, No.128 Chun Yeung Street, North Point, Hong Kong	Retail	Long term lease	100%
Advertising Spaces, Glory Rise, No.128 Chun Yeung Street, North Point, Hong Kong	Retail	Long term lease	100%
Shop C on the Ground Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Retail	Long term lease	100%
Basement (inclusive of front staircase leading from main entrance on G/F to the Basement and two rear staircases leading from G/F to the Basement) & Rear Flat Roof on 4/F and Roof and Upper Roof, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Retail	Long term lease	33.3%

PARTICULAR OF THE MAJOR PROPERTIES HELD (CONTINUED)

Property address	Property Type	Tenure	Attributable interest of the Group
Second Floor, Wanchai Commercial Centre, Nos.194-204 Johnston Road, Wan Chai, Hong Kong	Retail	Long term lease	100%
Ground Floor (including open yard & lavatories thereto) and cockloft (including the canopy thereto), Tai Shan Wen Cun Commercial Building, No.139 Portland Street, Mongkok, Kowloon, Hong Kong	Retail	Medium term lease	100%
Portion 3 of Shop C on Ground Floor, Nos.146 & 148 Lockhart Road and No.2A O'Brien Road, Wan Chai, Hong Kong	Retail	Medium term lease	100%
Shop A on Ground Floor, Lai Yue Building, No.3 Horse Shoe Lane, Kwun Tong, Kowloon, Hong Kong	Retail	Medium term lease	100%
Industrial			
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	Industrial	Long term lease	100%

FINANCIAL SUMMARY

	Year ended 31 December			
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
RESULTS				
Revenue	36,751	37,478	41,294	46,243
Profit before income tax	116,282	210,687	245,860	185,622
Income tax expenses	(6,972)	(5,180)	(5,015)	(4,895)
Profit for the year	109,310	205,507	240,845	180,727
	As at 31 December			
	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
ASSETS AND LIABILITIES				
Total Assets	1,606,423	1,348,164	2,188,819	1,696,235
Total Liabilities	1,047,524	583,758	1,183,568	355,993
Net Assets	558,899	764,406	1,005,251	1,340,242