



**Thing On Enterprise Limited**  
**晉安實業有限公司**

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

**Stock Code : 2292**

**2019**  
**Annual Report**

# CONTENTS

CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	3
BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT	5
MANAGEMENT DISCUSSION AND ANALYSIS	8
CORPORATE GOVERNANCE REPORT	13
DIRECTORS' REPORT	25
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT	38
INDEPENDENT AUDITOR'S REPORT	49
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	54
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	55
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	57
CONSOLIDATED STATEMENT OF CASH FLOWS	58
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	59
PARTICULAR OF THE MAJOR PROPERTIES HELD	100
FINANCIAL SUMMARY	104

# 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 Man Yeung Ryan

## 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 ADVISER AS TO HONG KONG LAW

King & Wood Mallesons

## INDEPENDENT AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants and Registered PIE Auditor*

## COMPLIANCE ADVISER

KGI Capital Asia Limited

## REGISTERED OFFICE

190 Elgin Avenue  
George Town  
Grand Cayman KY1-9005  
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 KY1-9005  
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited  
Level 54  
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 (collectively as the "Group"), I would like to present to the shareholders of the Company (the "Shareholders") the annual results and consolidated financial statements of the Group for the year ended 31 December 2019.

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

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

## OUTLOOK

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

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

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

Hong Kong has been the Group's major investment market, therefore the various factors mentioned above may have an adverse effect on the Group. The Group expects that the property market will continue to be volatile, and shall take a mindful approach when evaluating investment opportunities. While the Group endeavours to sustain its performance in Hong Kong, it will also continue to seek for quality properties in Hong Kong, China and other international cities to reduce the risk of the Group relying on a single geographical market. Besides real estate, the Group will also look for investment opportunities in the financial sector, such as provision of financial services and technologies, to further enhance the Group's performance by exploring different sources of income in other markets. The Group will pay close attention to the latest market changes and arrange appropriate strategic adjustments to the Group's assets portfolio to minimize the effect brought by the instability of the global economy.

## CHAIRMAN'S STATEMENT (CONTINUED)

### 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, 27 February 2020

# BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Wong Ka Yeung Roland** (王家揚), aged 31, 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 extensive experience in financial management and properties investment in Hong Kong and overseas. He is responsible for overall financial management, leading the finance and accounting department, corporate finance and acquisitions and disposals of the Group. Prior to joining the Group, Mr. Roland Wong worked at PricewaterhouseCoopers (Hong Kong) 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 Institute of Chartered Accountants in England and Wales since July 2014, a member of CPA Australia since February 2015 and a fellow member of Association of Chartered Certified Accountants since May 2019. 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 a member of the 12th Guangxi Zhuang Autonomous Region Committee of the Chinese People's Political Consultative Conference since January 2018. He is also a member of the Tender Committee of the Hong Kong Housing Authority since April 2018 and a member of the Independent Police Complaints Council since June 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 61, 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 26 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 61, was appointed as the chairman of the Board and a non-executive Director on 19 May 2016. He is the founder of the Group. Mr. Wong has over 29 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. Wong has worked in investment and financial companies for more than 36 years and has solid experience in corporate development strategies, operation management, markets and projects development. Mr. Wong is currently also the Honorary Patron of The University of Hong Kong Foundation. Mr. Wong 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, Long Service Medal 2nd Bar in 2009 and Long Service Medal 3rd Bar in 2014. Mr. Wong was appointed by the Hong Kong Government as Justice of the Peace with effect from 30 June 2017.

Mr. Wong 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 50, was appointed as an independent non-executive Director, the chairman of the audit committee of the Company (the "Audit Committee") and a member of each of the remuneration committee of the Company (the "Remuneration Committee") and the nomination committee of the Company (the "Nomination Committee") 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 27 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.

**Mr. Wong King Wai Kirk** (王經緯), aged 37, was appointed as an independent non-executive Director, the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee 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 16 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.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

**Mr. Wen Cyrus Jun-Ming** (聞俊銘), aged 34, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee 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 (a company listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); Stock Code: 8187) since 11 December 2017, and a non-executive director of Fresh Express Delivery Holdings Group Co., Limited (a company listed on the Main Board of the Stock Exchange; Stock Code: 1175) since 8 December 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 11 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.

### SENIOR MANAGEMENT

**Mr. Wong Man Yeung Ryan** (王文揚), aged 34, was appointed as the chief executive officer of the Company on 15 August 2019. 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 five 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 of the Company. Mr. Ryan Wong was the general manager of the Company from 1 September 2014 to 14 August 2019. Prior to joining the Group, 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.

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

**Ms. Cheung Yee Wah Polly** (張綺華), aged 64, 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 more than 11 years of experience in properties management in Hong Kong. Since joining the Group, she has been responsible for managing the marketing for the rental of the 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 the 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 Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrator). 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 21 years of 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 office space in core business areas and retail shops in prime urban areas.

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

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

In order to facilitate the expansion of the Group's business activities in property investment in other countries outside Hong Kong, investments in financial assets and provision of financial services and technologies so as to further explore sources of revenue, Good Shot Limited ("Good Shot"), a wholly-owned subsidiary of Thing On Group Limited ("Thing On Group"), the controlling Shareholder, agreed to make available to the Group (i) an unsecured revolving loan facility of up to HK\$400.0 million, and (ii) an unsecured revolving loan facility of up to HK\$600.0 million, both for a term of 18 months from 25 April 2018 at interest rate more favourable than market rate. On 14 August 2019, the parties agreed to extend the original maturity date of the loan facilities from 25 October 2019 to 25 October 2020.

## INVESTMENT PROPERTY PORTFOLIO

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

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

The total value of the properties attributable to the Group was approximately HK\$1,395.8 million (2018: HK\$1,735.8 million) as at 31 December 2019, of which approximately 66.4% (2018: 60.7%), 22.5% (2018: 22.0%) and nil (2018: 7.6%) was derived from office, retail and industrial properties located on Hong Kong Island, respectively, and 2.2% (2018: 1.9%) and 8.9% (2018: 7.8%) was derived from office and retail properties located in Kowloon, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL REVIEW

#### Financial Highlights

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

The revenue and cost of sales for the year ended 31 December 2019 were approximately HK\$44.0 million and HK\$5.7 million (2018: HK\$41.2 million and HK\$6.0 million), respectively. The slight increase in revenue of approximately HK\$2.8 million was primarily attributable to the increase in rental income from a newly acquired office property located in Kowloon since October 2018 and an office property located on Hong Kong Island which was previously vacant but leased since December 2018.

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

### LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2019, the Group did not have any long term loan outstanding (2018: Nil) and had a short-term loan outstanding which amounted to approximately HK\$128.2 million (2018: HK\$290.3 million) and which will mature within one year. The gearing ratio of the Group calculated as a ratio of net debt (representing borrowings less cash and bank balances) to total equity was not applicable as the Group maintained at a net cash position as at 31 December 2019 (2018: 8.2%).

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### TREASURY POLICIES

The Group continues to adopt a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year under review. The Board closely monitors the liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

### 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 considered 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 2019 (2018: Nil).

### CONTINGENT LIABILITIES

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

### CAPITAL COMMITMENTS

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

### SIGNIFICANT INVESTMENTS

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

### CHARGE OVER THE GROUP'S ASSETS

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

### ADVANCE TO ENTITY PROVIDED BY THE COMPANY

As at 31 December 2019, the Company had not provided any advance to an entity which is subject to disclosure requirement under Rule 13.20 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

### PLEDGING OF SHARES BY CONTROLLING SHAREHOLDERS

As at 31 December 2019, the controlling Shareholder had not pledged all or part of its interests in the shares of the Company to secure the Company's debts or to secure guarantees or other support of its obligations.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BREACH OF LOAN AGREEMENT

As at 31 December 2019, the Company had not breached any terms of its loan agreements for loans that are significant to its operations.

### FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES BY THE COMPANY

As at 31 December 2019, the Company had not provided any financial assistance and guarantees to affiliated companies of the Company.

### SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There was no significant event which occurred after the end of period from 1 January 2019 to 31 December 2019 (the "Reporting Period") and up to the date of this report.

### EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had 19 employees (2018: 18 employees). The Group entered into employment contracts with all its employees. Apart from salary remuneration and overtime compensation, employees are entitled to medical insurance coverage and retirement benefits under the mandatory provident fund scheme in which the Group participates. In addition, the Company granted discretionary bonuses to qualified employees, based on its operation results and individual performance. The Company had also adopted a share option scheme.

### MATERIAL ACQUISITIONS AND DISPOSALS

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

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

Save as disclosed above and in Note 6 to the consolidated financial statements, the Group did not have any other material acquisitions and disposals of subsidiaries, associates and joint ventures for the year ended 31 December 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### USE OF PROCEEDS FROM THE LISTING

The shares of the Company (the “Shares”) were listed on the Main Board of the Stock Exchange on 16 January 2018. Based on the offer price of HK\$1.24 per offer share, the net proceeds from the global offering received by the Company, after deducting the underwriting fees and commissions and expenses in relation to the global offering borne by the Company, were approximately HK\$194.0 million, which are intended to be utilised in the manner as disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 28 December 2017.

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

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

# 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 has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

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

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") 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 standards as set out in the Model Code for the year ended 31 December 2019.

## 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 strategies, 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*

### Independent Non-executive Directors

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

Save for Mr. Wong Chung Tak Richard, 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 5 to 7 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 is the chairman of the Board and Mr. Wong Man Yeung Ryan is the chief executive officer of the Company. Mr. Wong Chung Tak Richard is the father of Mr. Wong Man Yeung Ryan. Mr. Wong Chung Tak Richard is in charge of the management of the Board and strategic planning of the Group. Mr. Wong Man Yeung Ryan 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 of three years and they are also subject to the retirement by rotation at least once every three years in accordance with the Articles of Association of the Company (the “Articles”).

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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

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 2019, the Board held 5 meetings. The attendance record of each Director is set out below:

<b>Name of Directors</b>	<b>Number of attendance</b>
<b><i>Executive Directors</i></b>	
Mr. Wong Ka Yeung Roland	5/5
Ms. Chan Choi Wan Rolie	5/5
<b><i>Non-executive Director</i></b>	
Mr. Wong Chung Tak Richard <i>JP</i>	5/5
<b><i>Independent Non-executive Directors</i></b>	
Ms. Chan Kam Ping	5/5
Mr. Wong King Wai Kirk	5/5
Mr. Wen Cyrus Jun-ming	5/5

Board minutes are kept by the company secretary of the Company (the "Company Secretary") and are open for inspection by the Directors. Every Board member is entitled to have access to the 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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### General Meetings

During the year ended 31 December 2019, 1 general meeting of the Company was held, being the 2019 annual general meeting of the Company ("2019 AGM") held on 8 May 2019.

Name of Directors	Number of attendance
<b>Executive Directors</b>	
Mr. Wong Ka Yeung Roland	1/1
Ms. Chan Choi Wan Rolie	1/1
<b>Non-executive Director</b>	
Mr. Wong Chung Tak Richard JP	1/1
<b>Independent Non-executive Directors</b>	
Ms. Chan Kam Ping	1/1
Mr. Wong King Wai Kirk	0/1
Mr. Wen Cyrus Jun-ming	1/1

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

### Directors' Training

According to the code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

All Directors have participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2019 to the Company.

The individual training record of each Director received for the year ended 31 December 2019 is summarised below:

Name of Directors	Attending or participating in seminars/ reading materials relevant to the director's duties
<b>Executive Directors</b>	
Mr. Wong Ka Yeung Roland	✓
Ms. Chan Choi Wan Rolie	✓
<b>Non-executive Director</b>	
Mr. Wong Chung Tak Richard JP	✓
<b>Independent Non-executive Directors</b>	
Ms. Chan Kam Ping	✓
Mr. Wong King Wai Kirk	✓
Mr. Wen Cyrus Jun-ming	✓

### NOMINATION COMMITTEE

The Company has established the Nomination Committee 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.

The primary duties of the Nomination Committee include, but are not limited to, (a) reviewing the structure, size and diversity (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 and the chief executive officer; (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.

To ensure changes to the Board composition can be managed without undue disruption, there should be a formal, considered and transparent procedure for selection, appointment and re-appointment of Directors, as well as plans in place for orderly succession (if considered necessary), including periodical review of such plans. The appointment of a new Director (to be an additional Director or fill a casual vacancy as and when it arises) or any reappointment of Directors is a matter for decision by the Board upon the recommendation of the proposed candidate by the Nomination Committee.

The criteria to be applied in considering whether a candidate is qualified shall be his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effectiveness in carrying out the duties by the Board which, in particular, are set out as follows:

- (a) participating in Board meetings to bring an independent judgment on issues of corporate strategy, policy, performance, accountability, resources, key appointments and standards of conducts;
- (b) taking the lead where potential conflicts of interests arise;
- (c) serving on the Audit Committee, the Remuneration Committee and the Nomination Committee (in the case of candidate being a non-executive Director) and other relevant Board committees, if invited;
- (d) bringing a range of business and financial experience to the Board or any other committees by his or her skills, expertise, varied backgrounds and qualifications and diversity through attendance and participation in the Board meetings or meetings of any committees;
- (e) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;
- (f) ensuring the committees on which he or she serves to perform their powers and functions conferred on them by the Board; and
- (g) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

If the candidate is proposed to be appointed as an independent non-executive Director, his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive Director as required under Rule 3.10(2) of the Listing Rules.

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 2019, the Nomination Committee held 1 meeting for considering the re-election of Directors.

<b>Name of Members</b>	<b>Number of attendance</b>
Mr. Wong King Wai Kirk ( <i>chairman</i> )	1/1
Ms. Chan Kam Ping	1/1
Mr. Wen Cyrus Jun-ming	1/1

### REMUNERATION COMMITTEE

The Company has established the Remuneration Committee 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 2019, the Remuneration Committee held 1 meeting for (i) reviewing the policy and structure of the remuneration for the Directors and senior management and recommending the same for consideration by the Board; and (ii) reviewing and approving the management's remuneration proposals with reference to the Board's goals and objectives.

<b>Name of Members</b>	<b>Number of attendance</b>
Mr. Wen Cyrus Jun-ming ( <i>chairman</i> )	1/1
Ms. Chan Kam Ping	1/1
Mr. Wong King Wai Kirk	1/1

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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### Senior Management's Remuneration

Senior management's remuneration payment of the Group for the year ended 31 December 2019 falls within the following band:

	<b>Number of individuals</b>
Nil to HK\$1,000,000	3

### AUDIT COMMITTEE

The Company has established the Audit Committee 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, reappointment and removal of external auditor, 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 (i) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; (iv) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters; (v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; (vi) to review and monitor the Company's compliance with the Company's whistleblowing policy; and (vii) to consider any other topics as determined by the Board.

During the year ended 31 December 2019, the Audit Committee held 2 meetings for reviewing the annual and interim results of the Group.

<b>Name of Members</b>	<b>Number of attendance</b>
Ms. Chan Kam Ping ( <i>chairman</i> )	2/2
Mr. Wong King Wai Kirk	2/2
Mr. Wen Cyrus Jun-ming	2/2

## CORPORATE GOVERNANCE REPORT (CONTINUED)

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 2019 were audited by PricewaterhouseCoopers whose term of office will expire upon the conclusion of the forthcoming annual general meeting of the Company ("2020 AGM"). The Audit Committee has recommended to the Board the re-appointment of PricewaterhouseCoopers as the auditor of the Company at the 2020 AGM.

### AUDITOR'S REMUNERATION

During the year ended 31 December 2019, the remuneration paid/payable to the PricewaterhouseCoopers are set out below:

<b>Services rendered</b>	<b>Fee paid/payable HK\$'000</b>
Audit services	1,173
Non-audit services (Note)	200
<b>Total:</b>	<b>1,373</b>

Note: The non-audit services consist of interim results review.

### COMPANY SECRETARY

The Company has 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 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 2019.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### 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.

#### 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 general 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 2020 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 manners:

- 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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### DIVIDEND POLICY

The amount of any dividends that the Company may declare and pay in the future will be subject to the discretion of the Board and will be based upon the Company's earnings, cash flow, financial condition, capital requirements, distributable reserves and any other conditions that the Directors consider relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that the Company may enter into from time to time. The amounts of distributions that any company within the Group has declared and made in the past are not indicative of the dividends that the Company may pay in the future.

The Directors may recommend a payment of dividends after taking into account the Group's operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholders' interests and other factors which the Directors may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to the Company's constitutional documents and the Companies Law, including the approval of the Shareholders in case of having a recommendation of final dividend for the year. Any future declarations of dividends may or may not reflect the Company's historical declarations of dividends and will be at the absolute discretion of the Directors.

### 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 2019, 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.

### 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, which 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 2019.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### 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 has adopted a risk management policy, the main objectives of which are 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 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.

### Risk assessment process

Risk identification is based on discussions and interviews with senior management from different departments. Risks 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 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 has 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 risk management and internal control systems in addition to the work done by the designated staff in order to provide sufficient risk management and internal control for the Group.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### 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.

The Board has conducted a review of the systems of risk management and internal control for the year ended 31 December 2019 to ensure the effectiveness and adequacy of the systems. Such review shall be conducted annually. The Board considered that the risk management and internal control systems of the Company for the year ended 31 December 2019 were effective and adequate.

### CONSTITUTIONAL DOCUMENTS

There was no change in the Company’s constitutional documents during the year ended 31 December 2019.

# DIRECTORS' REPORT

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

## 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

The business review, discussion on the Group's future business development and analysis using key financial performance indicators for the year ended 31 December 2019 are set out in the section headed "Management Discussion & Analysis" on pages 8 to 12 of this annual report.

## 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 its 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 the Group's 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.

2. The Group depends on rental income generated from its investment properties. Rental income from the Group's investment properties constituted substantial portion of the Group's revenue during the year ended 31 December 2019. 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 the Company is 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 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 China's slower growth in economy in recent years, may, to a certain extent, have cooled the real estate market in Hong Kong.

## DIRECTORS' REPORT (CONTINUED)

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

The Company is committed to build an environmentally-friendly corporation that pays close attention to conserving natural resources. The Company strives to minimise its environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

The details of the environmental, social and governance ("ESG") report of the Company ("ESG Report") for the year ended 31 December 2019 are set out on pages 38 to 48 of this annual report.

### 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 business 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 2019 are set out in the consolidated statement of comprehensive income on page 54 of this annual report.

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

## CHARITABLE DONATIONS

During the year ended 31 December 2019, the Group made no charitable donation (2018: Nil).

### CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the forthcoming 2020 AGM to be held on Wednesday, 29 April 2020, the register of members of the Company will be closed from Thursday, 23 April 2020 to Wednesday, 29 April 2020, both days inclusive, during the period no transfer of Shares will be registered. All transfers accompanied by the relevant certificates must be lodged with the Company's transfer office and share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 22 April 2020.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year ended 31 December 2019 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 2019 in the investment properties of the Group are set out in note 14 to the consolidated financial statements.

### DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution to the Shareholders amounted to approximately HK\$362,302,000 (2018: approximately HK\$355,215,000).

### SHARE CAPITAL

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

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under 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 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 year ended 31 December 2019.

### PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of possible 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).

## DIRECTORS' REPORT (CONTINUED)

### GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 104 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:

#### Executive Directors

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

#### Non-executive Director

Mr. Wong Chung Tak Richard *JP*

#### Independent Non-executive Directors

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

In accordance with Article 108(a) of the Articles, Ms. Chan Choi Wan Rolie and Ms. Chan Kam Ping will retire by rotation at the 2020 AGM and, being eligible, offer themselves 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 16 January 2018 (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 2020 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

### 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 (“Thing On Capital”) as tenant entered into a tenancy agreement (the “Tenancy Agreement”) on 30 June 2017 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 two 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 is a wholly-owned subsidiary of Thing On Group, the controlling shareholder of the Company, and is therefore, a connected person of the Company as defined under Chapter 14A of the Listing Rules. Upon the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date, the transaction under the Tenancy Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules. The annual rental income (“Annual Caps”) paid by Thing On Capital to Grandtex Development for the year ended 31 December 2019 was HK\$4.8 million.

The independent non-executive Directors of the Company have examined the specific implementation of the continuing connected transaction and confirmed that:

- the transaction was entered into in the ordinary and usual course of business of the Company;
- the transaction was carried out on normal commercial terms or more favourable terms; and
- the transaction was carried out in accordance with the Tenancy Agreement in respect thereof, the terms of which were fair and reasonable and in the interest of the Shareholders as a whole.

The Company has also engaged an external auditor to review the Group’s continuing connected transaction to ensure that the transaction carried out under the Tenancy Agreement will be in compliance with the requirements under the Listing Rules. The Board has confirmed that the auditor has issued an unqualified letter in respect of the aforesaid continuing connected transaction in accordance with Rule 14A.56 of the Listing Rules and reported the results in this letter to the Board, and a copy of the auditor’s letter was submitted to the Stock Exchange. The letter stated that:

- the relevant continuing connected transaction has been approved by the Board;
- in relation to the relevant continuing connected transaction involving the leasing of a portion of the office space and car parking space to the Group, nothing has come to their attention that causes them to believe that the transaction was not, in any material respects, in accordance with the pricing policies of the Group;
- the relevant continuing connected transaction was conducted pursuant to the relevant Tenancy Agreement governing the transaction; and
- the relevant continuing connected transaction did not exceed the respective Annual Caps applicable to such transaction.

## DIRECTORS' REPORT (CONTINUED)

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.

On 10 December 2019, Grandtex Development, as landlord, and Thing On Capital, as tenant, entered into a renewed tenancy agreement in respect of renewal of leasing of the Property for a term of three years commencing from 1 January 2020 and ending on 31 December 2022 (both days inclusive) (the "Renewed Tenancy Agreement"). The monthly rental of the Property is HK\$350,000 (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 and the terms of similar property in the proximity of the Property. The terms are substantially the same as those set out in the Tenancy Agreement and the annual caps for the Renewed Tenancy Agreement for the three years ending 31 December 2022 will be HK\$4.2 million for each of the year.

The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

### Exempted connected transaction

Reference was made to the announcement of the Company dated 25 April 2018 in respect of the provision of financial assistance from the controlling Shareholder of loan facilities of up to HK\$1,000,000,000.

On 25 April 2018, Branding Good Limited, a wholly-owned subsidiary of the Company (as borrower) (the "Borrower"), and the Company (as guarantor) confirmed their acceptance of the facility letter (the "Facility Letter") issued by Good Shot Limited (the "Lender") pursuant to which the Lender agreed to make available to the Borrower (i) an unsecured revolving loan facility of up to HK\$400,000,000 at an interest rate of one-month Hong Kong Interbank Offered Rate ("HIBOR") on the drawdown date plus 0.4% per annum and (ii) an unsecured revolving loan facility of up to HK\$600,000,000 at an interest rate of one-month HIBOR on the drawdown date plus 2.0% per annum (the "Loan Facilities"). The Loan Facilities shall be valid for a term of 18 months from the date of the Facility Letter and are secured by a corporate guarantee executed by the Company in favour of the Lender, pursuant to which the Company unconditionally and irrevocably guarantees the payment and performance obligations of the Borrower under the Facility Letter.

On 14 August 2019, the Borrower, the Company and the Lender entered into an extension agreement, pursuant to which, the parties agreed to extend the original maturity date of the Loan Facilities under the Facility Letter from 25 October 2019 to 25 October 2020 (the "Extension of Loan Period"). Except for the Extension of Loan Period, other principal terms under the Facility Letter remain unchanged and effective.

## DIRECTORS' REPORT (CONTINUED)

The Lender is a wholly-owned subsidiary of Thing On Group, who is the controlling Shareholder of the Company, and is therefore a connected person of the Company as defined under Chapter 14A of the Listing Rules. Accordingly, the provision of the Loan Facilities by the Lender constituted a connected transaction of the Company as defined under Chapter 14A of the Listing Rules. However, as the Loan Facilities were made for the benefit of the Group on normal commercial terms (or better) and since no security over the assets of the Group is pledged in respect of the Loan Facilities, the provision of the Loan Facilities by the Lender falls under Rule 14A.90 of the Listing Rules and thus are exempted from reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### RELATED PARTY TRANSACTIONS

Details of the significant related party transactions (the "Transactions") carried out in the normal course of business of the Group are set out in note 24 to the consolidated financial statements. Save as disclosed in this annual report, the Transactions fall under the definition of "connected transactions" or "continuing connected transactions" under chapter 14A of the Listing Rules. Save for the connected transactions described above in the section headed "Connected Transactions", none of these Transactions constitutes a connected transaction or continuing connected transaction as defined under the Listing Rules that is required to be disclosed.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year ended 31 December 2019 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' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions" in this annual report and note 9 and note 24 to the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries or its parent company was a party, and in which a Director of the Company or the Director's connected party had a material interest, whether directly or indirectly subsisted at 31 December 2019 or at any time during the year ended 31 December 2019.

## DIRECTORS' REPORT (CONTINUED)

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

As at 31 December 2019, 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 Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("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 as set out in Appendix 10 to the Listing Rules, are set out below:

<b>Name of Director</b>	<b>Capacity</b>	<b>Long position/ Short position</b>	<b>Number of ordinary Shares/ underlying Shares held</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Mr. Wong Chung Tak Richard ("Mr. Wong")	Interest in a controlled corporation (Note)	Long position	540,000,000	75.0%

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

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 and 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 31 December 2019.

## DIRECTORS' REPORT (CONTINUED)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, 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 the Shares and underlying Shares as follows:

Name	Capacity	Long position/ short position	Number of ordinary Shares/ underlying Shares held	Approximate percentage of the issued share capital of the Company
Thing On Group	Beneficial owner (Note1)	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 owns the entire issued share capital of Thing On Group.
2. Ms. Ng Ka Fong Jenny is the spouse of Mr. Wong. Therefore, Ms. Ng Ka Fong Jenny is deemed to be interested in the Shares which Mr. Wong 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 as at 31 December 2019.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 standards as set out in the Model Code during the year ended 31 December 2019.

### SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to the written resolutions of the shareholders 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. The Share Option Scheme will help motivating the participants to optimize their performance and efficiency and attract and retain the participants whose contributions are important to the long-term growth and profitability of the Group.

## DIRECTORS' REPORT (CONTINUED)

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 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 ordinary 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 by the grantee 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.
- (6) The Share Option Scheme will be in force until 14 December 2027.

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.

### NON-COMPETITION UNDERTAKING

Mr. Wong and Thing On Group (the "Covenantors" and each a "Covenantor"), executed a deed of non-competition on 15 December 2017 (the "Deed of Non-competition") 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 the 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) or (ii) the date on which the Shares 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 members 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.

Each of the Covenantors has provided to the Company a written confirmation in respect of his/its full compliance with the Deed of Non-Competition for the year ended 31 December 2019.

The independent non-executive Directors have reviewed the written confirmation made by the Covenantors of the compliance by each of the Covenantors with the undertakings in the Deed of Non-Competition and have confirmed that, as far as they can ascertain, there is no breach of any of the undertakings in the Deed of Non-Competition given by the Covenantors.

As of the date of this report, the Company is not aware of any other matters regarding the compliance of the undertakings in the Deed of Non-Competition and there has not been any change in the terms of the Deed of Non-Competition during the year ended 31 December 2019.

### EQUITY-LINKED AGREEMENTS

Save as those disclosed in the section headed "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 2019.

## **DIRECTORS' REPORT** (CONTINUED)

### **SUBSIDIARIES**

Particulars of the principal subsidiaries of the Company as at 31 December 2019 are set out in note 26 to the consolidated financial statements.

### **BORROWINGS**

Particulars of loans of the Group as at 31 December 2019 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 2019, the revenue received in relation to the Group's five largest tenants accounted for approximately 39% of the Group's total revenue for the year whilst the revenue received in relation to the largest tenant accounted for approximately 12% of the Group's total revenue for the year.

Save for Thing On Capital, 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 the year ended 31 December 2019 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 during the year ended 31 December 2019.

## DIRECTORS' REPORT (CONTINUED)

### REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Company established the Audit Committee on 15 December 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three members, namely Ms. Chan Kam Ping, Mr. Wong King Wai Kirk and Mr. Wen Cyrus Jun-ming. Ms. Chan Kam Ping is the chairman of the Audit Committee. The Audit Committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2019.

### AUDITORS

The consolidated financial statements for the year ended 31 December 2019 were audited by PricewaterhouseCoopers whose term of office will expire upon the conclusion of the 2020 AGM. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company for the subsequent year is to be proposed at the 2020 AGM. The Company has not changed its auditor since the Listing Date.

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

Hong Kong, 27 February 2020

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## SCOPE AND BOUNDARY

This is the ESG Report published by the Company which has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”), Appendix 27 to the Listing Rule.

This ESG Report focuses on providing an overview of the significant policies, management approach and figures related to environmental, social and governance within the Group during the Reporting Period.

## ESG GOVERNANCE

The Board has the overall responsibility for the Group’s ESG strategy. We are committed to evaluating the ESG related risks, ensuring appropriate and effective ESG risk management and internal control systems are in place, and acting in the best interests of our stakeholders. The Board delegates daily ESG management to our senior management who oversee our ESG performance, lead long-term ESG strategic development, and report to the Board. The management has provided a confirmation to the Board on the effectiveness of our ESG risk management. Our ESG performance is reviewed and evaluated annually, which is disclosed in our annual ESG Report.

For details of corporate governance, please refer to the “Corporate Governance Report” on pages 13 to 24.

## RELIABILITY ASSURANCE

The Company assures that the contents of this ESG Report, for which the Company accepts full responsibility for its truthfulness, accuracy and completeness, are free of any false statements, misleading representations or material omissions.

## FEEDBACK AND OPINIONS

We sincerely welcome your feedback on our ESG Report and our ESG performance. Please contact us by any of the following means to share your comments with us:

Address:

17th Floor, Bank of East Asia Harbour View Centre

56 Gloucester Road, Wanchai, Hong Kong

Phone: (852) 2290 0200

Fax: (852) 2845 2013

Email: info@thingon.com

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### APPROACH

To fulfill the requirement of the Guide, we strive to maintain ongoing communication with our material stakeholders to understand their concerns and interests towards our operations and sustainability performances. The section of “Our Stakeholders” details the major matters that are concerned by our stakeholders and the corresponding communication channels that we have established.

The information disclosed in this ESG Report represents the most relevant issues, as identified by our key stakeholders. We endeavor to incorporate materiality, quantitative measures, balance and consistency in the presentation of the information, as required by the Stock Exchange. In the long run, we are committed to enriching our ESG information disclosure in order to enhance the transparency in our sustainability performance.

We incorporate the concept of sustainability into our business strategy and day-to-day operations. We believe that prudent management of environmental and social issues is a key factor in long-term success in this rapidly changing world. With a better understanding of the risks and opportunities regarding environmental protection, the Group endeavors to reduce wastage, preserve the planet for future generations, and respond to the regulatory authorities’ expectations for environmental protection.

In our daily operations, we strike a balance among the interests of all stakeholders, the economy, the environment and the society. We actively develop opportunities with business ethics to ensure continual success and growth that would benefit our employees, suppliers, clients and the environment.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### OUR STAKEHOLDERS

As stakeholders play a crucial role in sustaining the success of our business, we make use of various communication channels to understand and engage our stakeholders. The probable points of concern of the stakeholders and the means of our communication and responses are listed below:

Stakeholders	Probable Points of Concern	Communication and Responses
<b>Regulators e.g. the Stock Exchange</b>	Compliance with listing rules, securities laws and regulations and timely and accurate announcements.	Meetings, training, workshop, programs, website updates, and announcements.
<b>Government</b>	Compliance with laws and regulations, preventing tax evasion, and social welfare.	Interaction and visits, government inspections, tax returns and other information.
<b>Investors</b>	Corporate governance, business strategies and performance, and investment returns.	Organising briefing sessions and seminars, interviews, Shareholders' meetings, issue of financial reports or operation reports for investors, media and analysts.
<b>Media &amp; Public</b>	Corporate governance, environmental protection, and human rights.	Issue of announcements/newsletters on the Company's website, Shareholders' meetings, issue of financial reports or operation reports for investors, media and analysts.
<b>Service Providers</b>	Payment schedule, and stable demand.	Performance of site visits.
<b>Customers</b>	Service quality, service delivery schedule, reasonable prices, service value, and personal data protection.	Routine business communications, and property management services.
<b>Employees</b>	Rights and benefits of employees, compensation, training and development, work hours, and working environment.	Conducting union activities, training, interviews with employees, internal memos, and employee suggestion boxes.
<b>Community</b>	Community environment, employment opportunities, community development, and social welfare.	Developing community activities, employee voluntary activities, and community welfare subsidies and donations.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## ENVIRONMENT

### Overview

We comply with all relevant laws and regulations that are related to environmental protection in Hong Kong which have a significant impact on us including but not limited to “Building (Standards of Sanitary Fitments, Plumbing, Drainage Works and Latrines) Regulations” (the “Regulations”) in Hong Kong. As stipulated by the Regulations, drainage works should be properly carried out to avoid leakage which may lead to corrosion of steel reinforcement bars undermining the structure of the building and polluting water quality and environmental hygiene. No confirmed non-compliance incidents or grievances were noted by us in relation to environmental issues during the Reporting Period.

### Emissions

As we conduct property investment and property management service business, we do not own or control any stationary or mobile combustion sources. Hence, there is no significant air or water pollutant discharges into the water and land in our daily operations. Therefore, no data were recorded during the Reporting Period.

### Greenhouse Gas Emissions

Greenhouse gas emissions are mainly from the consumption of purchased electricity within the Group to support our daily operations such as air-conditioning system, lighting system and office electronic equipment. In order to reduce the generation of greenhouse gases, we educate our employees with the concept of energy efficiency. By reducing the use of electricity, less greenhouse gas emissions would be resulted. For details of energy efficiency practices, please refer to the section of “Energy Efficiency” in this ESG Report. The following shows the statistics of greenhouse gas emissions recorded during the Reporting Period:

#### Year ended 31 December 2019

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Carbon emission (Scope 2 only) <sup>1</sup> (tonnes CO <sub>2</sub> -e)	41.30
Carbon intensity (tonnes CO <sub>2</sub> -e/m <sup>2</sup> floor area) <sup>2</sup>	0.07

### Waste Management

As we conduct property investment and property management service business, there is no significant hazardous waste produced during the ordinary course of business operations. On the other hand, the major non-hazardous waste produced results from our paper consumption for administrative work, which we consider to be minimal as we encourage our employees to go paperless. Therefore, no data regarding hazardous and non-hazardous waste were recorded during the Reporting Period.

In order to minimise the usage of paper, we cultivate a paperless working environment among our employees, and various measures have been adopted. Management conduct paperless meetings by circulating meeting materials through email and encrypted universal serial bus, and having the management executives to bring their computers along for reviewing documents and note-making. For daily administrative work, double-sided printing is set as the default setting on computers, and single-sided printing has to be manually selected. For any paper that has been used for single-sided printing, it should be reused when there is no confidential information on the printed side of the paper.

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<sup>1</sup> We currently account for Scope 2 carbon emission (indirect emission from consumption of purchased electricity) only. According to the Sustainability Reports published by HK Electric, the carbon footprint per kWh of electricity sold in 2018 was 0.80kg.

<sup>2</sup> As all carbon emissions are based on our office usage; thus, the floor area refers to the Group’s own office only.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## ENVIRONMENT (Continued)

### Use of Resources

In order to uphold sustainability in our daily operations, we are committed to upholding a high environmental standard and incorporating relevant requirements under applicable laws and regulations into our daily practices.

During the Reporting Period, there was no material change in the electricity usage as compared to the previous year. We closely monitor the use of resources, develop measures to reduce the electricity consumption and promote environmental sustainability among employees, to ensure that all employees understand clearly the importance of conserving energy and making full use of the available resources in our operations. The operation of the Group does not involve any packaging materials.

### Energy Efficiency

Electricity is mainly consumed for the air-conditioning system, lighting system and supporting office electronic equipment. The following shows the statistics of electricity consumption during the Reporting Period.

#### Year ended 31 December 2019

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Electricity consumption (kWh)	51,626.00
Electricity consumption intensity (kWh/m <sup>2</sup> floor area) <sup>3</sup>	87.83
Electricity consumption intensity (kWh/employee)	2,717.16

We monitor the consumption of electricity with the following measures adopted and implemented to reduce the usage of electricity:

- LED lighting is adopted with an aim to reduce electricity consumption and last longer time span;
- The air conditioning system and electronic devices in the conference rooms are switched off when they are not in use;
- Photocopiers, printers, computers and monitors are switched off after office hours;
- Electronic equipment with Grade 1 energy efficiency label is preferred when purchase is made;
- Blinds are used to insulate the heat from outside during the summer time; and
- Reasonable room temperature is maintained during office hours.

### Water Usage

We do not have any issue in sourcing water, and the existing supply of water meets our daily operational needs. Water consumption mainly arises from the daily use of water by the employees at the office during working hours, and the domestic sewage is directly discharged into municipal sewage pipelines. We encourage our employees to conserve water. Written notices such as "Save Water" are put up next to water taps. As the water bills for office are included in the office rental, thus we are unable to collect and disclose the relevant data.

### The Environment and Natural Resources

Due to the nature of our business, its daily operation posed no significant adverse impact on the environment.

We abide by the relevant laws and regulations. There were no cases of non-compliance in relation to emissions and the environment within the reporting scope during the Reporting Period. Looking ahead, we will continuously assess its environment risks so as to formulate appropriate response measures and regularly review.

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<sup>3</sup> As all electricity usage is based on our office usage; thus, the floor area refers to the Group's own office only.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### SOCIAL

#### Employment

We comply with all relevant laws and regulations that have a significant impact on us, including but not limited to the “Employment Ordinance”, “Minimum Wage Ordinance” and “Employees’ Compensation Ordinance” in Hong Kong. Our “Human Resources Policies and Procedures”, “Entry Level Control Manual” and “Employees’ Handbook” are established in accordance with those laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

As at 31 December 2019, the employee profiles by gender, age, rank and geographical location are shown as follows:

Breakdowns by gender	
Female	13
Male	6
Breakdowns by age	
25 - 29	1
30 - 39	2
40 - 49	6
➤ 50	10
Breakdowns by rank	
Senior management	7
Middle management	8
Junior staff	4
Breakdowns by geographical location	
Hong Kong	19
Number of employee turnover	1

#### Recruitment and Promotion

We demonstrate equal opportunities in staff recruitment and promotion. Candidates are selected on the basis of their qualifications and merits, without consideration of race, religion, skin colour, national origin, marital status, age, sex, disability, political preferences, sexual orientation or philosophical belief.

Department heads are responsible for selecting and promoting qualified employees. On an annual basis, department heads conduct performance assessment to assess the employees based on their attendance, work performance, and working attitude. By reference to these attributes, department heads identify and promote those employees who have the capabilities to take up more responsibilities.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### SOCIAL (Continued)

#### Welfare and Benefits

Employees are entitled to all statutory holidays, leave and welfare as stipulated in the Employment Ordinance including but not limited to maternity leave, paternity leave and annual leave.

Apart from statutory benefits, we also provide medical benefits to our employees after their completion of probation. The medical insurance covers part of their medical fee for diagnosis, hospitalisation and outpatient follow-up care which could lessen employees' financial burden with regard to medical expenses.

#### Feedback and Grievance

We recognise employees as our valuable assets, and we encourage our employees to freely express ideas without the fear of being judged or reprimanded by fellow employees or management executives. We conduct staff survey once a year to collect information on employees' views and opinions. Employees are encouraged to actively participate in the survey. Based on the results of the survey, we would identify the root causes and seek solutions to resolve the problems.

Team briefings are held once every quarter to enhance the communication among employees from different job levels. At the briefings, employees may ask questions or give comments which their managers may address or, if necessary, escalate to a more senior level of management for further information or decision.

Employees who feel that they have been unjustly dealt with in any disciplinary matter or unfairly treated in any way may write to their corresponding department heads. Interviews may be arranged for the employees to express their grievance to their department heads. If the employee concerned is not satisfied after the interview with the department head, the employee has the right to inform our human resources manager who would then arrange an interview between our general manager and the employee concerned.

#### Health and Safety

We comply with all relevant laws and regulations that have a significant impact on us including but not limited to "Occupational Safety and Health Ordinance" in Hong Kong. We have internal policies and systems in place with a view to ensuring compliance with such requirements. As stipulated in the "Employees' Handbook", we have established a series of health and safety policies to safeguard the health and safety of our employees, expecting all employees to strictly follow.

If an employee were injured or witnessed any injury at work, the employee should inform his/her supervisor or department manager as soon as possible. The supervisor or department manager must then report the details of the accident to our human resources department within 24 hours.

During the Reporting Period, no case of work-related fatalities and injuries was reported.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### SOCIAL (Continued)

#### Working Environment

We undertake to provide a healthy working environment for our employees by promoting a smoke-free working environment. Smoking inside the office including lift lobby and toilet is strictly prohibited. Employees should ensure that guests or visitors also adhere to the same rules while they are in our office.

We have also established an alcohol and drug use policy which considers that abuse of alcohol, drug or other substance by employees will impair their health, performance, safety, work efficiency as well as productivity. Employees who are addicted to alcohol, drug or other substance and disclose their problems to management will not be dismissed provided that they seek immediate medical treatment.

Fire evacuation guidelines are clearly detailed in the "Employees' Handbook" with an aim to educate employees with adequate fire evacuation knowledge and minimize the chance of serious injuries during fire incidents. Fire escape route is put up at a prominent spot to acquaint the employees with the route in the case of emergency. In addition, our offices are equipped with adequate fire safety measures such as automatic sprinkler system, fire extinguisher and fire alarm in order to reduce the impact when fire incidents happen.

#### Development & Training

As stipulated in the "Employees' Handbook", the Group has established a training policy which encourages our employees to develop their work competency in order to meet the corporate objectives. Suitable training and development opportunities are provided to our employees to assist them in meeting the corporate objectives as well as achieving personal development goals.

In particular, we conduct an orientation course for new employees in their first week of employment. The orientation helps our new employees to acquaint themselves with our management structure, company culture and mission, as well as our employees' roles towards our business objectives and office procedures.

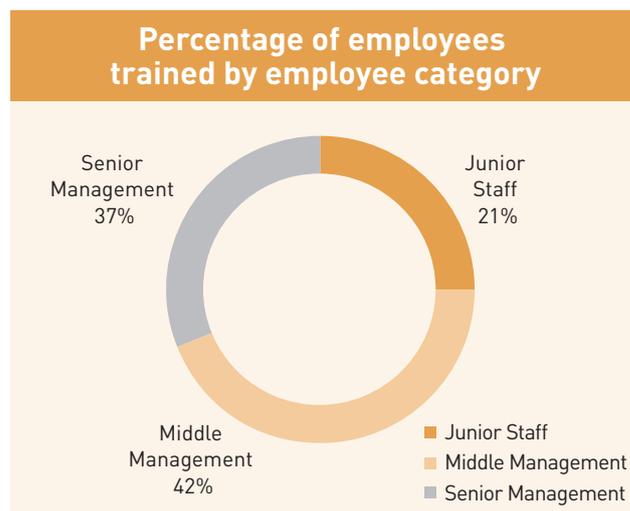
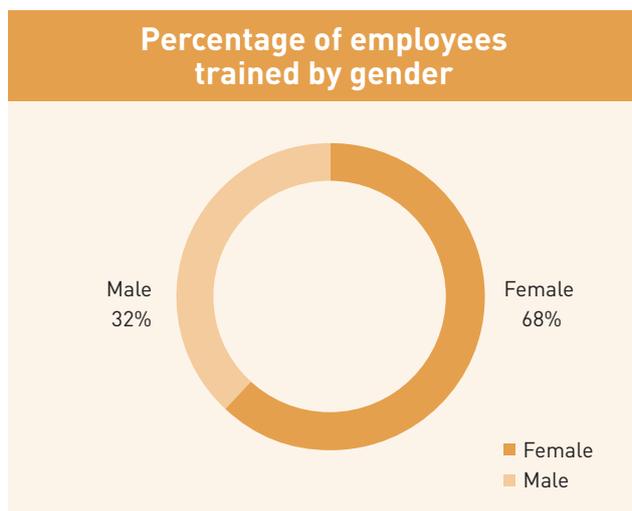
During the Reporting Period, all employees<sup>4</sup> attended a leadership training course with an average of nine training hours per employee<sup>5</sup>. In this respect, the percentages of employees trained by gender and employment grade category are respectively shown as follows:

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<sup>4</sup> There were 19 employees in total as at 31 December 2019.

<sup>5</sup> Each employee was trained for the same number of hours during the Reporting Period i.e. the average training hours completed per employee by gender and employee category were both 9 hours.

## SOCIAL (Continued)



### Labour Standard

We comply with all relevant laws and regulations that have a significant impact on us such as “Employment Ordinance” in Hong Kong. The Group strictly prohibits any recruitment of child and forced labour. Our Human Resources Department keeps abreast of the latest labour standard. During the Reporting Period, no case of child and forced labour was found or reported.

As stipulated in our “Entity Level Control Manual”, all new recruits should be interviewed by a member of our Human Resources Department with proper records of the interview and basic information of the applicants. The records include the date of the interview, name of the applicant and the interviewer, applicant’s date of birth, education history and results, relevant skills and experiences, interviewer’s comment and recommendation. The above recruitment practice prevents recruitment of child and forced labour.

If our management discovered such irregular child and forced labour, we would immediately terminate the contract and investigate into the incident. We may also take disciplinary action against any staff members who are responsible for the causes of the incident.

### Supply Chain Management

In the ordinary course of business, we solicit legal opinions from legal counsels, outsource repair and maintenance services provided to our tenants, and search for property investment opportunities through estate agents. In order to control the quality and performance of these vendors, thorough screening procedures have been performed on each vendor in accordance with our “Entity Level Control Manual”. The selection basis is based on the following criteria:

- Previous experience and past performance
- Reliability and responsiveness
- Financial status
- Any relationship with staff, if applicable, disclosed
- Fee/price of service /product
- Credit terms

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### SOCIAL (Continued)

#### Supply Chain Management (Continued)

Concerning our previous experience with the repair and maintenance vendors, we look into their services as to whether they take environmental protection into consideration. We select vendors that use environmentally safe and non-toxic paints and other environmental friendly materials.

Those vendors that satisfy the above criteria would be nominated and reviewed by our Investment Committee or Executive Committee depending on the service nature and then approved by the Board on an annual basis. As at 31 December 2019, there were 20 approved vendors which are all located in Hong Kong.

#### Our Services

We engage in property investment in Hong Kong with a principal focus on office, retail and industrial properties leasing, and property management business. We provide property management service to our tenants and independent property owners who demand property management service. We have established stable relationship with our tenants. The tenant whom we have the longest relationship with has leased our properties for over 20 years.

We comply with all relevant laws and regulations that have a significant impact on us including but not limited to "Building Ordinance", "Stamp Duty Ordinance" and "Building (Standards of Sanitary Fitments, Plumbing, Drainage Works and Latrines) Regulations" in Hong Kong. During the Reporting Period, there was no leased property being named or penalized for any safety and health issues.

We ever received requests from clients regarding repair and maintenance of the leased properties as part of our property management service, and yet we did not receive any material complaint from clients in relation to properties' safety during the Reporting Period. If any complaints arise, our team will follow the "Entity Level Control Manual" for handling disputes, claims and complaints.

#### Data Protection and Privacy

We comply with "Personal Data (Privacy) Ordinance" in protecting clients' information and avoiding any misuses of our clients' information. In accordance with the "Employees' Handbook", all employees should observe confidentiality requirement, and all information relating to the business and our clients is strictly kept confidential. All employees are responsible for maintaining the confidentiality of the information entrusted to them as a result of their roles, except when the disclosure is legally authorized or mandated. Each employee must safeguard the Group's confidential information and should not disclose it to a third party without prior consent of senior management.

As stipulated in the property management agreements, we should not, at any time during or after the term of the agreements, disclose to any person any information in relation to any of the properties without prior written consent of our clients, unless and to the extent that it is necessary to make any such disclosure.

Clients' data are stored in computing servers which are locked up in a cabinet and kept away from unauthorized personnel. We also have a strong network system which is only internally connected. Our Wifi network is guarded by an end-point control product. Guests are only granted with Wifi access by the use of daily password or time-based voucher. The firewall log is reviewed and documented by a designated member of staff on a periodical basis and is reported to management on any exceptions noted. Firewall setting is reviewed and reported to management from time to time to ensure that the network is well protected from potential intrusion.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## SOCIAL (Continued)

### Anti-Corruption

We comply with all relevant laws and regulations that have a significant impact on us including but not limited to the "Prevention of Bribery Ordinance". During the Reporting Period, there was no concluded legal case regarding corrupt practices brought against the Group or our employees.

The Group does not tolerate any form of corruption (including the giving and receiving of bribes) and takes the most serious view of any attempt to commit corrupt practices by members of staff, contractors, agents and business partners. Cases of suspected corruption will be properly investigated and appropriate action will be taken, including reporting to the appropriate authorities, disciplinary action, prosecution and active pursuit of recovery.

We have established a whistle-blowing policy which is intended to encourage and enable employees and others to report violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters in the Group. It is the responsibility of all directors, officers and employees of the Group to comply with the policy by reporting violations or suspected violations. Any employee should report promptly to the Chairman of our Audit Committee or his designee of any unethical or improper practices noted. All such questions, concerns, suggestions or complaints should be sent in writing to the chairman of our Audit Committee or his designee by email or post.

Moreover, we have established an "Anti-bribery & Anti-corruption Statement" with an aim to prevent, detect and eliminate corrupt practices.

Furthermore, it is the company policy that no employee will suffer any retaliation or adverse consequences for refusing to pay a bribe. We have a number of channels that employees can go through in order to speak to someone about any concerns in confidence:

- the "whistle-blowing" hotline
- the line managers
- the human resources manager
- the chief financial officer

### Community Investment

We deeply understand the importance of contributing to the society and upholding the corporate social responsibilities. Therefore, we encourage our employees to take part in community services so as to contribute to a more sustainable and harmonious society. In addition, we are exploring different opportunities in serving the society.

# 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 54 to 99, which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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><b>Valuation of investment properties</b></p> <p>Refer to note 4.1 and note 14 to the consolidated financial statements</p> <p>As at 31 December 2019, the Group's investment properties were stated at fair value of HK\$1,396 million, with a fair value loss of HK\$208 million recorded in the consolidated statement of comprehensive income for the year.</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> <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><b>How our audit addressed the Key Audit Matter</b></p> <p>We evaluated the competence, capabilities and objectivity of the management's external valuer.</p> <p>With the assistance of our internal valuation experts, we performed the following:</p> <ul style="list-style-type: none"><li>• 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.</li><li>• 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.</li></ul> <p>We found that key assumptions used in the management's valuation of the investment properties were 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 year 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, 27 February 2020

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	5	43,961	41,185
Cost of sales	7	(5,667)	(5,958)
Gross profit		38,294	35,227
Other income, gains, net	6	5,804	4,520
Changes in fair value of investment properties	14	(207,990)	39,116
General and administrative expenses	7	(13,472)	(18,157)
Operating (loss)/profit		(177,364)	60,706
Finance expenses	10	(5,197)	(6,451)
(Loss)/profit before income tax		(182,561)	54,255
Income tax expenses	11	(3,336)	(3,713)
(Loss)/profit for the year		(185,897)	50,542
Other comprehensive income		—	—
(Loss)/profit and total comprehensive (expenses)/income attributable to owners of the Company		(185,897)	50,542
(Loss)/earnings per share:			
Basic and diluted (Hong Kong cents)	13	(25.82)	7.09

The notes on pages 59 to 99 are an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	14	1,395,823	1,735,813
Property, plant and equipment	15	11,524	11,792
Prepayments	16	6,015	—
Deferred income tax assets	19	167	—
		<b>1,413,529</b>	1,747,605
<b>Current assets</b>			
Trade receivables, prepayments, deposits and other receivables	17	4,303	5,628
Tax prepayment		50	889
Cash and bank balances	18	148,855	158,318
		<b>153,208</b>	164,835
<b>Total assets</b>		<b>1,566,737</b>	1,912,440
<b>EQUITY</b>			
Share capital		36	36
Reserves		1,418,205	1,604,102
<b>Total equity attributable to owners of the Company</b>		<b>1,418,241</b>	1,604,138

The notes on pages 59 to 99 are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities	19	4,429	3,872
<b>Current liabilities</b>			
Other payables and accruals	20	13,603	12,807
Borrowings	21	128,167	290,267
Tax payable		2,297	1,356
		144,067	304,430
<b>Total liabilities</b>		<b>148,496</b>	<b>308,302</b>
<b>Net current assets/(liabilities)</b>		<b>9,141</b>	<b>(139,595)</b>
<b>Total equity and liabilities</b>		<b>1,566,737</b>	<b>1,912,440</b>

The consolidated financial statements on pages 54 to 99 were approved by the Board of Directors on 27 February 2020 and were signed on its behalf.

**Wong Ka Yeung, Roland**  
Director

**Chan Choi Wan, Rolie**  
Director

The notes on pages 59 to 99 are an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company				
	Share capital	Share premium	Revaluation reserve (Note)	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018	—	154,264	3,990	1,181,988	1,340,242
Issuance of shares (Note 25(a)(i))	36	223,164	—	—	223,200
Share issuance costs	—	(9,846)	—	—	(9,846)
Profit and total comprehensive income for the year	—	—	—	50,542	50,542
At 31 December 2018	36	367,582	3,990	1,232,530	1,604,138
At 1 January 2019	<b>36</b>	<b>367,582</b>	<b>3,990</b>	<b>1,232,530</b>	<b>1,604,138</b>
Loss and total comprehensive expenses for the year	—	—	—	(185,897)	(185,897)
At 31 December 2019	<b>36</b>	<b>367,582</b>	<b>3,990</b>	<b>1,046,633</b>	<b>1,418,241</b>

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 59 to 99 are an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	2019 HK\$'000	2018 HK\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	23	25,650	11,782
Hong Kong Profits Tax paid		(1,638)	(2,265)
Net cash generated from operating activities		24,012	9,517
<b>Cash flows from investing activities</b>			
Prepayment of the acquisition of an investment property		(4,815)	—
Purchase of an investment property		—	(30,957)
Decrease/(increase) in bank deposits		10,708	(155,000)
Bank interest received		4,856	1,533
Net proceeds from the disposal of a subsidiary	6	134,574	—
Net cash generated from/(used in) investing activities		145,323	(184,424)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares		—	223,200
Repayments of advances from ultimate holding company	23	—	(336)
Listing expenses paid		(410)	(8,052)
Borrowings interest paid		(4,380)	(7,690)
Other finance expense paid		—	(1,500)
Proceeds from borrowings	23	6,200	28,700
Repayments of borrowings	23	(169,500)	(70,168)
Net cash (used in)/generated from financing activities		(168,090)	164,154
<b>Net increase/(decrease) in cash and cash equivalents during the year</b>		<b>1,245</b>	<b>(10,753)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>3,318</b>	<b>14,071</b>
<b>Cash and cash equivalents at end of year</b>		<b>4,563</b>	<b>3,318</b>
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and bank balances	18	148,855	158,318
Less: Bank deposits with original maturities over three months	18	(144,292)	(155,000)
		4,563	3,318

The notes on pages 59 to 99 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 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 KY1-9005, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively as the “Group”) 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 Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) are set out below. The consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance (Cap. 622) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are stated at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. 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 accounting standards and amendments used in the preparation of the consolidated financial information are consistent with those set out in the 2019 financial statements, except for the adoption of the following amendments to existing standards and adoption of new HKFRS issued by the HKICPA:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.1 Basis of preparation (Continued)

##### (a) *New and amended standards adopted by the Group (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. The Group acts as the lessor of various office properties and retail properties. The Group does not have any operating lease commitments with it acting as a lessee. Management has performed an assessment and the implementation of the HKFRS 16 does not result in any significant impact on the Group's financial position and results of operations.

Other than HKFRS 16, the adoption of these amended standards does not have any significant impact on the annual report of the Group.

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

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

		<b>Effective for annual periods beginning on or after</b>
Amendments to HKFRS 3	Definition of Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020
Amendments to HKAS 39, HKFRS 7 and HKAS 9	Hedge accounting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

## 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 issued but not yet applied by the Group (Continued)*

The Group is in the process of assessing potential impact of the new standards and amendments to standards above upon initial application. According to the preliminary assessment made by the management of the Group, it 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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.2 Consolidation (Continued)

##### *(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 directly attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividend and receivable.

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 ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.5 Investment properties (Continued)

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.

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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 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.

#### 2.11 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.12 Borrowing costs

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

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

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

#### 2.13 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.

#### 2.14 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.14 Current and deferred income tax (Continued)

##### (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.

#### 2.15 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.15 Revenue recognition (Continued)

*(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.

#### 2.16 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.

#### 2.17 Operating leases

*Group as the lessor of operating leases*

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

#### 2.18 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 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 trade receivables, deposits and other receivables and deposits with banks.

Cash deposits are mainly placed with high-credit-quality financial institutions which the credit risk is considered to be low.

In respect of trade receivables, deposits and other receivables, simplified approach is used to measure expected credit losses ("ECL") for trade receivables while 12-month ECL is used to measure ECL for deposits and other receivables. The Group has policies in place to assess historical and expected default rate of customers and carries out follow-up actions on overdue amounts to minimise the credit risk exposure. The Group has also identified the key economic variables impacting credit risk and ECL. It considers available reasonable and supportive forwarding-looking information.

The Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay the Group, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Trade receivables arise from rental and management fee income. In view of the history of business dealing with the debtors and the sound collection history of the receivables due from trade debtors, as well as subsequent settlement, management believes that there is no material credit risk inherent in the Group's outstanding receivables balance due from the trade debtors. The directors consider the Group's credit risk of the above receivables to be low. 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 receivables in the statement of financial position after deducting any impairment allowance.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### (ii) Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During the year ended 31 December 2019, 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, loss before tax ended 31 December 2019 would have been HK\$641,000 increased/decreased (2018: profit before tax would have been HK\$1,451,000 decreased/increased), mainly as a result of higher/lower interest expense on floating rate borrowings.

##### (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
<b>At 31 December 2018</b>				
Other payables and accruals	4,967	5,534	1,837	12,338
Borrowings	296,845	—	—	296,845
Subtotal	301,812	5,534	1,837	309,183
<b>At 31 December 2019</b>				
Other payables and accruals	7,772	1,975	3,189	12,936
Borrowings	131,115	—	—	131,115
Subtotal	138,887	1,975	3,189	144,051

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 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.

#### 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 as shown in the consolidated statement of financial position less cash and bank balances. Total equity represents the sum of consolidated capital and reserves, as disclosed in the consolidated statement of financial position.

	2019 HK\$'000	2018 HK\$'000
Total borrowings (Note 21)	128,167	290,267
Less: Cash and bank balances (Note 18)	(148,855)	(158,318)
Net debt	(20,688)	131,949
Total equity	1,418,241	1,604,138
Gearing ratio (Note)	N/A	8.23%

Note: The Group was in a net cash position as at 31 December 2019.

## 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 CODM. The Group's management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

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

	2019 HK\$'000	2018 HK\$'000
<b>Total segment revenue</b>		
Rental income — Office properties	26,773	24,097
Rental income — Retail properties	11,529	11,335
Rental income — Industrial properties	—	623
Property management fee income	15,442	14,545
Less: Inter-segment revenue		
Property management fee income	(9,783)	(9,415)
	<b>43,961</b>	<b>41,185</b>

## 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 (loss)/profit of each segment. The measurement of segment (loss)/profit is (loss)/profit before income tax and before items which are not specifically attributed to individual reportable segments, such as unallocated corporate income/expenses.

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

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

For the year ended 31 December 2019, inter-segment property management fee income of HK\$9,783,000 (2018: HK\$9,415,000) was charged.

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

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

Unallocated assets represented the other corporate receivables and bank deposits with original maturities over three months.

Unallocated liabilities represented the borrowings and the other corporate payables.

Additions to non-current assets comprise mainly additions to investment properties (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 2019

The segment results for the year ended 31 December 2019 and other segment item included in the consolidated statement of comprehensive income are as follows:

	Office properties HK\$'000	Retail properties HK\$'000	Industrial properties HK\$'000	Property management HK\$'000	Total HK\$'000
Total segment revenue	26,773	11,529	—	15,442	53,744
Less: inter-segment revenue	—	—	—	(9,783)	(9,783)
<b>Revenue</b>	<b>26,773</b>	<b>11,529</b>	<b>—</b>	<b>5,659</b>	<b>43,961</b>
Segment (loss)/profit	(114,015)	(73,338)	(522)	5,356	(182,519)
Unallocated corporate income and expenses, net					(42)
<b>Loss before income tax</b>					<b>(182,561)</b>
Income tax expenses					(3,336)
<b>Loss for the year</b>					<b>(185,897)</b>
<b>Other item</b>					
Depreciation (Note 15)	—	—	—	(268)	(268)

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5 REVENUE AND SEGMENT INFORMATION (Continued)

#### (b) As at and for the year ended 31 December 2018

The segment results for the year ended 31 December 2018 and other segment item included in the consolidated statement of comprehensive income are as follows:

	Office properties HK\$'000	Retail properties HK\$'000	Industrial properties HK\$'000	Property management HK\$'000	Total HK\$'000
Total segment revenue	24,097	11,335	623	14,545	50,600
Less: inter-segment revenue	—	—	—	(9,415)	(9,415)
<b>Revenue</b>	24,097	11,335	623	5,130	41,185
Segment profit	42,049	12,628	2,236	6,274	63,187
Unallocated corporate income and expenses, net					(8,932)
<b>Profit before income tax</b>					54,255
Income tax expenses					(3,713)
<b>Profit for the year</b>					50,542
<b>Other item</b>					
Depreciation (Note 15)	—	—	—	(268)	(268)

The segment assets and liabilities as at 31 December 2018 and addition to investment properties for the year then ended are as follows:

	Office properties HK\$'000	Retail properties HK\$'000	Industrial properties HK\$'000	Property management HK\$'000	Total HK\$'000
Segment assets	1,086,886	519,656	133,023	12,790	1,752,355
Unallocated assets					160,085
<b>Total assets</b>					1,912,440
Segment liabilities	(11,661)	(3,582)	(181)	(20)	(15,444)
Unallocated liabilities					(292,858)
<b>Total liabilities</b>					(308,302)
Addition to investment properties (Note 14)	30,957	—	—	—	30,957

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5 REVENUE AND SEGMENT INFORMATION (Continued)

Revenue from external customers by geographical areas is based on the geographical location of the customers. The Group's revenue for the years ended 31 December 2019 and 2018 is generated from Hong Kong in which the customers are located.

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

	2019 HK\$'000	2018 HK\$'000
Customer A	5,432	5,429

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

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

### 6 OTHER INCOME, GAINS, NET

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

Note:

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6 OTHER INCOME, GAINS, NET (CONTINUED)

Note: (Continued)

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7 EXPENSES BY NATURE

	2019 HK\$'000	2018 HK\$'000
Auditor's remuneration (excluding listing related services)		
Audit services	1,173	1,320
Non-audit services	200	200
Depreciation of property, plant and equipment (Note 15)	268	268
Direct operating expenses arising from investment properties generating rental income (Note)	586	998
Employee benefit expenses (including Directors' emoluments) (Note 8)	9,757	7,746
Impairment loss of trade receivable	18	—
Legal and professional expenses	1,541	1,407
Listing expenses	—	6,251
Other expenses	515	965
Property management fee expenses	3,557	3,569
Rates and government rent	1,524	1,391
<b>Total cost of sales and general and administrative expenses</b>	<b>19,139</b>	<b>24,115</b>

Note:

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

### 8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 HK\$'000	2018 HK\$'000
Fees	360	360
Salaries, wages and bonuses	9,153	7,167
Contributions to defined contribution schemes	244	219
	<b>9,757</b>	<b>7,746</b>

### 9 EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER AND FIVE HIGHEST PAID INDIVIDUALS

	2019 HK\$'000	2018 HK\$'000
Fees	360	360
Salaries, allowances and benefits-in-kind	3,528	3,106
Discretionary bonuses	138	150
Contributions to defined contribution schemes	72	72
	<b>4,098</b>	<b>3,688</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9 EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

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.

#### (a) Directors' and chief executive officer's emoluments

(i) The remuneration of each director and chief executive officer for the year ended 31 December 2019 is set out below:

	Fees HK\$'000	Salaries, allowances and benefits- in-kind # HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to pension scheme HK\$'000	Compensation for loss of office as director HK\$'000	Total HK\$'000
<b>Executive directors:</b>						
Chan Choi Wan Rolie	—	578	100	18	—	696
Wong Ka Yeung Roland	—	700	—	18	—	718
<b>Non-executive director:</b>						
Wong Chung Tak Richard	—	1,400	—	18	—	1,418
<b>Independent non-executive directors:</b>						
Chan Kam Ping	120	—	—	—	—	120
Wen Cyrus Jun-ming	120	—	—	—	—	120
Wong King Wai Kirk	120	—	—	—	—	120
<b>Chief executive officer:</b>						
Wong Man Yeung Ryan <sup>1</sup>	—	244	—	7	—	251
Wong Fung Hing <sup>2</sup>	—	606	38	11	—	655

<sup>1</sup> Appointed as the chief executive officer effective from 15 August 2019.

<sup>2</sup> Ceased to be the chief executive officer effective from 15 August 2019.

# The Group provided accommodation, amounting to HK\$224,000, to Mr. Wong Fung Hing for his service as the chief executive officer of the Group from 1 January 2019 to 14 August 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9 EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

#### (a) Directors' and chief executive officer's emoluments (Continued)

(ii) The remuneration of each director and chief executive officer for the year ended 31 December 2018 is set out below:

	Fees HK\$'000	Salaries, allowances and benefits- in-kind # HK\$'000	Discretionary bonuses HK\$'000	Employer's contribution to pension scheme HK\$'000	Compensation for loss of office as director HK\$'000	Total HK\$'000
<b>Executive directors:</b>						
Chan Choi Wan Rolie	—	426	90	18	—	534
Wong Ka Yeung Roland	—	600	—	18	—	618
<b>Non-executive director:</b>						
Wong Chung Tak Richard	—	1,300	—	18	—	1,318
<b>Independent non-executive directors:</b>						
Chan Kam Ping	120	—	—	—	—	120
Wen Cyrus Jun-ming	120	—	—	—	—	120
Wong King Wai Kirk	120	—	—	—	—	120
<b>Chief executive officer:</b>						
Wong Fung Hing	—	780	60	18	—	858

# The Group provided accommodation, amounting to HK\$360,000, to Mr. Wong Fung Hing for his service as the chief executive officer of the Group.

Notes:

During the years ended 31 December 2019 and 2018,

- (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) save as disclosed elsewhere in the consolidated financial statements, 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9 EMOLUMENTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

#### (b) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group during the year ended 31 December 2019, including 2 directors and the chief executive officer in 2019 (2018: 2 directors and the chief executive officer), whose emoluments are reflected in the analysis presented above. The total emoluments paid to the remaining 2 individuals in 2019 (2018: 2 individuals) during the respective years ended on 31 December, are as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries, allowances and benefits-in-kind	1,490	1,081
Discretionary bonuses	72	100
Contributions to defined contribution schemes	36	36
	<b>1,598</b>	1,217
	2019 HK\$'000	2018 HK\$'000
<b>Emolument bands</b>		
Nil - HK\$1,000,000	1,598	1,217

### 10 FINANCE EXPENSES

	2019 HK\$'000	2018 HK\$'000
Interest expenses on borrowings	5,197	6,451

### 11 INCOME TAX EXPENSES

	2019 HK\$'000	2018 HK\$'000
Hong Kong Profits Tax	3,095	2,736
Over-provision in prior years	(160)	(138)
Deferred income tax expense (Note 19)	401	1,115
	<b>3,336</b>	3,713

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11 INCOME TAX EXPENSES (Continued)

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

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

For the year ended 31 December 2019 and 2018, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The assessable profits of other entities of the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5%.

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

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

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

### 12 DIVIDEND

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13 (LOSS)/EARNINGS PER SHARE — BASIC AND DILUTED

#### (a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years. In 2018, the weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the Capitalisation Issue (Note 25(a)(i)) which took place on 16 January 2018.

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

#### (b) Diluted (loss)/earnings per share

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

### 14 INVESTMENT PROPERTIES

	HK\$'000
<b>Fair value</b>	
At 1 January 2018	1,665,740
Addition (Note (b))	30,957
Changes in fair value of investment properties	39,116
At 31 December 2018	1,735,813
Disposal of a subsidiary (Note 6)	(132,000)
Changes in fair value of investment properties	(207,990)
At 31 December 2019	1,395,823

Notes:

- (a) None of the above investment properties was pledged as security as at 31 December 2019 (2018: Nil).
- (b) Acquisition of office property in Hong Kong

On 15 October 2018, the Group acquired a unit of office property located in Hong Kong at a consideration of HK\$30,957,000.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14 INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(c) 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 Limited. Jones Lang LaSalle 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 2017" published by Hong Kong Institute of Surveyors.

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 semi-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 2019 and 2018 as follows:

	2019 HK\$'000	2018 HK\$'000
<b>Recurring fair value measurements</b>		
Investment properties		
— Office — Hong Kong	957,000	1,084,900
— Retail — Hong Kong	438,823	518,913
— Industrial — Hong Kong	—	132,000
	<b>1,395,823</b>	<b>1,735,813</b>

There were no transfers between levels 1, 2 and 3 during the years ended 31 December 2019 and 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14 INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(d) 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 2019 and 2018. 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.

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

Description	Fair value at 31 December 2019 HK\$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Office properties in Hong Kong	957,000	Direct comparison	Unit sale rate	HK\$12,112/sq. ft. to HK\$79,561/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	438,823	Direct comparison	Unit sale rate	HK\$6,353/sq. ft. to HK\$122,478/sq. ft.	An increase in the market unit sale rate would result in an increase in fair value, and vice versa
	1,395,823				

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14 INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

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

Description	Fair value at 31 December 2018 HK\$'000	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Office properties in Hong Kong	1,084,900	Direct comparison	Unit sale rate	HK\$13,756/sq. ft. to HK\$60,000/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	518,913	Direct comparison	Unit sale rate	HK\$6,353/sq. ft. to HK\$119,355/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	132,000	Direct comparison	Unit sale rate	HK\$3,393/sq. ft. to HK\$4,161/sq. ft.	An increase in the market unit sale rate would result in an increase in fair value, and vice versa
	1,735,813				

The movements for the years ended 31 December 2019 and 2018 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 2018	1,023,890	512,850	129,000	1,665,740
Addition (Note (b))	30,957	—	—	30,957
Changes in fair value of investment properties	30,053	6,063	3,000	39,116
At 31 December 2018	1,084,900	518,913	132,000	1,735,813
At 1 January 2019	1,084,900	518,913	132,000	1,735,813
Disposal of a subsidiary (Note 6)	—	—	(132,000)	(132,000)
Changes in fair value of investment properties	(127,900)	(80,090)	—	(207,990)
At 31 December 2019	957,000	438,823	—	1,395,823

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14 INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

- (f) The investment properties are leased to tenants under operating leases with rentals payable monthly. There are no variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the Group has policies in place as disclosed in Note 3.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the investment properties.

### 15 PROPERTY, PLANT AND EQUIPMENT

	Land and building HK\$'000	Furniture, fixtures, and office equipment HK\$'000	Total HK\$'000
<b>Cost</b>			
At 1 January 2018, 31 December 2018 and 31 December 2019	13,400	3,169	16,569
<b>Depreciation</b>			
At 1 January 2018	1,340	3,169	4,509
Charge for the year	268	—	268
At 31 December 2018	1,608	3,169	4,777
Charge for the year	268	—	268
At 31 December 2019	1,876	3,169	5,045
<b>Carrying value</b>			
At 31 December 2018	11,792	—	11,792
At 31 December 2019	11,524	—	11,524

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

Included in land and building, there is a right of use asset which is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16 PREPAYMENTS

As at 31 December 2019, prepayments, presented as non-current asset, comprised deposit, stamp duty and legal fee paid for acquisition of an investment property (Note 27).

### 17 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18 CASH AND BANK BALANCES

	2019 HK\$'000	2018 HK\$'000
Cash at banks and on hand	4,563	3,318
Bank deposits with original maturities over three months	144,292	155,000
Cash and bank balances	148,855	158,318

The effective interest rate on bank deposits with original maturities over three months was ranged from 2.50% to 2.71% (2018: 2.75%) per annum. These deposits have maturities ranging from 3 to 12 months (2018: 12 months).

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

	2019 HK\$'000	2018 HK\$'000
Cash at banks and on hand		
Hong Kong dollars	4,523	3,291
United States dollars	40	27
	4,563	3,318
Bank deposits with original maturities over three months		
Hong Kong dollars	144,292	155,000
	148,855	158,318

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

	2019 HK\$'000	2018 HK\$'000
Deferred income tax assets	167	—
Deferred income tax liabilities	(4,429)	(3,872)
	(4,262)	(3,872)

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
<b>As at 1 January 2018 and 2019</b>	—
Credited to consolidated statement of comprehensive income	677
<b>At 31 December 2019</b>	677

#### Deferred income tax liabilities

	Accelerated tax depreciation HK\$'000
<b>As at 1 January 2018</b>	(2,757)
Charged to consolidated statement of comprehensive income	(1,115)
<b>At 31 December 2018</b>	(3,872)
Charged to consolidated statement of comprehensive income	(1,078)
Disposal of a subsidiary (Note 6)	11
<b>At 31 December 2019</b>	(4,939)

As at 31 December 2019, the Group did not recognise deferred tax assets of HK\$220,000 (2018: HK\$778,000), in respect of tax losses of HK\$1,335,000 (2018: HK\$4,713,000) 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)

### 20 OTHER PAYABLES AND ACCRUALS

	2019 HK\$'000	2018 HK\$'000
Rental deposits	10,607	9,510
Rental receipt in advance	667	469
Other payables and accruals	2,329	2,828
	<b>13,603</b>	12,807

The carrying amounts of rental deposits, and other payables and accruals approximate their fair values and are denominated in Hong Kong dollars.

### 21 BORROWINGS

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

The Group's borrowings were repayable as follows:

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

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

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

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

The carrying amounts of the Group's borrowings are all denominated in Hong Kong dollars.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22 COMMITMENTS

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

	2019 HK\$'000	2018 HK\$'000
No later than 1 year	25,720	30,680
Between 1 and 2 years	14,539	14,856
Between 2 and 3 years	5,275	4,219
	<b>45,534</b>	<b>49,755</b>

The Group's operating leases are for terms of 1 to 3 years as at 31 December 2019 and 2018.

### 23 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of (loss)/profit before income tax to cash generated from operations:

	2019 HK\$'000	2018 HK\$'000
(Loss)/profit before income tax	(182,561)	54,255
Interest expenses on borrowings (Note 10)	5,197	6,451
Bank interest income (Note 6)	(3,992)	(4,488)
Depreciation of property, plant and equipment (Note 15)	268	268
Changes in fair value of investment properties (Note 14)	207,990	(39,116)
Impairment loss of trade receivable	18	—
Gain on disposal of a subsidiary (Note 6)	(1,812)	—
Operating cash flows before changes in working capital	<b>25,108</b>	<b>17,370</b>
Changes in working capital:		
— Trade receivables, prepayments, deposits and other receivables	(664)	(946)
— Other payables and accruals	1,206	(4,642)
Cash generated from operations	<b>25,650</b>	<b>11,782</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

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
<b>As of 1 January 2018</b>	336	330,000	330,336
Cash outflows from financing activities	(336)	(41,468)	(41,804)
Non-cash changes			
— Settlement of interest payable (Note (a))	—	1,735	1,735
<b>As of 31 December 2018</b>	—	290,267	290,267
<b>As of 1 January 2019</b>	—	290,267	290,267
Cash outflows from financing activities	—	(163,300)	(163,300)
Non-cash changes			
— Proceed from borrowings for the prepayments for the acquisition of investment property (Note (b))	—	1,200	1,200
<b>As of 31 December 2019</b>	—	128,167	128,167

Notes:

Major non-cash transactions:

- (a) During the year ended 31 December 2018, the refinancing arrangement of borrowings from Good Shot included a settlement of interest payable of HK\$1,735,000 originated from the repaid loan from the financial institution.
- (b) During the year ended 31 December 2019, the prepaid deposit for acquisition of the investment property as disclosed in Note 16 and 27 was settled by the borrowing from Good Shot of HK\$1,200,000.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 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 years ended 31 December 2019 and 2018.

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

<b>Name</b>	<b>Relationship</b>
Thing On Capital Limited	Note
Good Shot	Note

Note:

The related companies are commonly controlled by Mr. Wong.

- (b) Transactions with the related companies:

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Rental income and property management fee income (Note (i)) The related company commonly controlled by Mr. Wong	<b>5,432</b>	5,429
Finance expenses (Note (iii)) The related company commonly controlled by Mr. Wong	<b>5,197</b>	4,716

Notes:

- (i) Rental income and property management fee income are charged at a fixed amount agreed by the parties.
- (ii) The finance expenses represent the interest expenses charged on the borrowings as disclosed in Note 21 at the rate of one-month HIBOR plus 0.4% per annum with a loan handling fee charged at a fixed rate agreed by the parties.
- (iii) On 16 May 2018, the Group disposed its entire interest in Thing On Investment (China) Limited, a wholly-owned subsidiary of the Group, to Thing On Group at a consideration of HK\$7.8. The Group recognised a gain of HK\$7.8 on disposal of a subsidiary during the year ended 31 December 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with the related companies

	2019 HK\$'000	2018 HK\$'000
Borrowings from a related company (Note 21)	128,167	290,267
Prepaid loan handling fee to a related company	—	817

(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:

	2019 HK\$'000	2018 HK\$'000
Fees	360	360
Salaries and other emoluments	4,736	4,106
Contributions to defined contribution schemes	102	101
	5,198	4,567

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 25 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	Note	2019 HK\$'000	2018 HK\$'000
<b>ASSETS</b>			
<b>Non-current asset</b>			
Investments in subsidiaries		675,024	716,219
<b>Current assets</b>			
Prepayment and other receivables		2,238	3,120
Amounts due from subsidiaries		798,560	899,478
Cash and bank balances		146,375	155,957
		947,173	1,058,555
<b>Total assets</b>		<b>1,622,197</b>	<b>1,774,774</b>
<b>EQUITY</b>			
Share capital	(a)	36	36
Reserves	(b)	1,078,521	1,071,434
<b>Total equity attributable to owners of the Company</b>		<b>1,078,557</b>	<b>1,071,470</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accruals		1,032	2,576
Amounts due to subsidiaries		542,608	700,728
<b>Total liabilities</b>		<b>543,640</b>	<b>703,304</b>
<b>Net current assets</b>		<b>403,533</b>	<b>355,251</b>
<b>Total equity and liabilities</b>		<b>1,622,197</b>	<b>1,774,774</b>

The statement of financial position of the Company was approved by the Board of Directors on 27 February 2020 and was signed on its behalf by:

**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) Share capital of the Company

- (i) 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. Based upon a shareholders' resolution dated 15 December 2017 and successful offering of the Company's shares, the Company issued additional 539,999,997 shares, credited as fully paid, to the then shareholder of the Company on 16 January 2018 (the "Capitalisation Issue").

The movement of share capital is as follows:

Authorised shares:

	Number of shares (thousands)	HK\$'000
<b>At 1 January 2018, 31 December 2018 and 31 December 2019</b>	7,600,000	380

Ordinary shares, issued and fully paid:

	Number of shares (thousands)	HK\$'000
<b>At 1 January 2018</b>	—	—
Issuance of shares (Note (i))	720,000	36
<b>At 31 December 2018 and 2019</b>	720,000	36

#### (b) Reserve movement of the Company

	Share premium HK\$'000	Other reserves (Note) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2018	154,264	716,219	(10,150)	860,333
Issuance of share (Note (a)(i))	223,164	—	—	223,164
Share issuance costs	(9,846)	—	—	(9,846)
Loss for the year	—	—	(2,217)	(2,217)
<b>At 31 December 2018</b>	367,582	716,219	(12,367)	1,071,434
At 1 January 2019	<b>367,582</b>	<b>716,219</b>	<b>(12,367)</b>	<b>1,071,434</b>
Profit for the year	—	—	7,087	7,087
<b>At 31 December 2019</b>	<b>367,582</b>	<b>716,219</b>	<b>(5,280)</b>	<b>1,078,521</b>

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 PRINCIPAL SUBSIDIARIES AND CONTROLLED STRUCTURED ENTITIES

The Company had direct or indirect interests in the following principal subsidiaries as at 31 December 2019 and 2018:

Company name	Date of incorporation	Country/place of incorporation/ establishment	Registered issued and paid-up capital	Attributable equity interest of the Group		Principal activities
				2019	2018	
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
Century Cave Limited	2 October 2019	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$1	100%	—	Investment holding
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
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
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
Speedy Hub Limited	3 July 2018	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$1	100%	100%	Investment holding
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 Holdings Limited (Note (i))	27 September 1985	Hong Kong	2 ordinary shares paid up to HK\$2	100%	100%	Property management in Hong Kong
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 (Note 6)	28 February 2013	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$1	—	100%	Property investment

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 26 PRINCIPAL 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
				2019	2018	
Indirectly owned subsidiaries:						
Grandtex Development Limited	27 January 1994	Hong Kong	100 ordinary shares paid up to HK\$100	100%	100%	Property investment
Jump Shot Limited	2 January 2018	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$1	100%	100%	Property investment
Smart Logo Limited	4 October 2017	British Virgin Islands	1 ordinary share of US\$1 paid up to US\$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

Note:

- (i) On 24 April 2018, the entire interest of Thing On Holdings Limited was transferred from Thing On Investment (China) Limited to the Company. Since then, Thing On Holdings Limited became a direct wholly-owned subsidiary of the Company.

### 27 SUBSEQUENT EVENTS

On 2 December 2019, Smart Logo Limited, a subsidiary of the Group, entered into an agreement with an independent third party to acquire an investment property located in Hong Kong at a consideration of HK\$32,500,000. Prepayments of HK\$6,015,000 were paid by the Group as at 31 December 2019. The transaction was completed on 17 January 2020.

## PARTICULAR OF THE MAJOR PROPERTIES HELD

Property address	Property Type	Tenure	Attributable interest of the Group
<b>Office</b>			
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	Short 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	Short 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%
Unit 5 on 8th Floor, Greenfield Tower, Concordia Plaza, No.1 Science Museum Road, Kowloon, Hong Kong	Office	Medium term lease	100%

## PARTICULAR OF THE MAJOR PROPERTIES HELD (CONTINUED)

Property address	Property Type	Tenure	Attributable interest of the Group
<b>Retail</b>			
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	Short 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%

# FINANCIAL SUMMARY

	Year ended 31 December				
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
<b>RESULTS</b>					
Revenue	37,478	41,294	46,243	41,185	<b>43,961</b>
(Loss)/profit before income tax	210,687	245,860	185,622	54,255	<b>(182,561)</b>
Income tax expenses	(5,180)	(5,015)	(4,895)	(3,713)	<b>(3,336)</b>
(Loss)/profit for the year	205,507	240,845	180,727	50,542	<b>(185,897)</b>
	<b>As at 31 December</b>				
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000	2019 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total Assets	1,348,164	2,188,819	1,696,235	1,912,440	<b>1,566,737</b>
Total Liabilities	583,758	1,183,568	355,993	308,302	<b>148,496</b>
Net Assets	764,406	1,005,251	1,340,242	1,604,138	<b>1,418,241</b>