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Thing On Enterprise Limited

晉安實業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2292)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	For the year ended		Change
	31 December		
	2020	2019	
	HK\$'000	HK\$'000	%
Revenue	40,720	43,961	(7.37)
Gross profit	35,804	38,294	(6.50)
Loss before income tax	(76,324)	(182,561)	(58.19)
Profit for the year attributable to owners of the Company (Excluding the changes in fair value of investment properties charged to profit or loss)	21,942	22,093	(0.68)

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Thing On Enterprise Limited (the “Company”) presents the consolidated results of the Company and its subsidiaries (collectively as the “Group”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

		2020	2019
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	40,720	43,961
Cost of sales	4	<u>(4,916)</u>	<u>(5,667)</u>
Gross profit		35,804	38,294
Other income and gains	3	2,874	5,804
Changes in fair value of investment properties		(101,754)	(207,990)
General and administrative expenses	4	<u>(11,742)</u>	<u>(13,472)</u>
Operating loss		(74,818)	(177,364)
Finance expenses	5	<u>(1,506)</u>	<u>(5,197)</u>
Loss before income tax		(76,324)	(182,561)
Income tax expenses	6	<u>(3,488)</u>	<u>(3,336)</u>
Loss for the year		(79,812)	(185,897)
Other comprehensive income		<u>—</u>	<u>—</u>
Loss and total comprehensive expenses attributable to owners of the Company		<u><u>(79,812)</u></u>	<u><u>(185,897)</u></u>
Loss per share:			
Basic and diluted (Hong Kong cents)	8	<u><u>(11.09)</u></u>	<u><u>(25.82)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
ASSETS			
Non-current assets			
Investment properties		1,363,347	1,395,823
Property, plant and equipment		11,256	11,524
Prepayments		—	6,015
Deferred income tax assets		192	167
		<u>1,374,795</u>	<u>1,413,529</u>
Current assets			
Trade receivables, prepayments, deposits and other receivables	9	2,340	4,303
Tax prepayment		351	50
Cash and bank balances		78,063	148,855
		<u>80,754</u>	<u>153,208</u>
Total assets		<u>1,455,549</u>	<u>1,566,737</u>
EQUITY			
Share capital		36	36
Reserves		1,338,393	1,418,205
Total equity attributable to owners of the Company		<u>1,338,429</u>	<u>1,418,241</u>

	<i>Note</i>	2020 HK\$'000	2019 HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	<i>10</i>	99,593	—
Deferred income tax liabilities		5,360	4,429
		<u>104,953</u>	<u>4,429</u>
Current liabilities			
Other payables and accruals		12,127	13,603
Borrowings	<i>10</i>	—	128,167
Tax payable		40	2,297
		<u>12,167</u>	<u>144,067</u>
Total liabilities		<u>117,120</u>	<u>148,496</u>
Net current assets		<u>68,587</u>	<u>9,141</u>
Total equity and liabilities		<u>1,455,549</u>	<u>1,566,737</u>

NOTES

1 BASIS OF PREPARATION

The principal accounting policies applied in the preparation of the consolidated financial statements which are in accordance with the 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 “Listing Rules”). 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 the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) 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 issued by the HKICPA:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKAS 39, HKFRS 7 and HKAS 9	Interest Rate Benchmark Reform

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

The HKICPA has issued certain new standards, amendments, interpretations and accounting guideline which are relevant to the Group's operation but not yet effective for the annual period beginning on 1 January 2020 and the Group has not early adopted.

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	Covid-19 — Related Rent Concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKAS 16	Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual improvements projects 2018-2020 Cycle	Annual Improvements 2018-2020 Cycle	1 January 2022
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

2 REVENUE AND SEGMENT INFORMATION

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

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total segment revenue		
Rental income — Office properties	25,295	26,773
Rental income — Retail properties	11,243	11,529
Property management fee income	13,692	15,442
Less: Inter-segment revenue		
Property management fee income	(9,510)	(9,783)
	<u>40,720</u>	<u>43,961</u>

The CODM considers the business from service perspectives and the Group is organised into rental and property management major business segments according to the nature of services provided: rental income from office properties, rental income from retail properties 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 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 2020, inter-segment property management fee income of HK\$9,510,000 (2019: HK\$9,783,000) 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 consolidated 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 other corporate assets and receivables and bank deposits with original maturities over three months.

Unallocated liabilities represented borrowings and other corporate payables.

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

(a) As at and for the year ended 31 December 2020

The segment results for the year ended 31 December 2020 and other segment item included in the consolidated statement of comprehensive income are as follows:

	Office properties <i>HK\$'000</i>	Retail properties <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Total segment revenue	25,295	11,243	13,692	50,230
Less: inter-segment revenue	—	—	(9,510)	(9,510)
Revenue	25,295	11,243	4,182	40,720
Segment (loss)/profit	(50,085)	(32,532)	5,358	(77,259)
Unallocated corporate income and expenses, net				935
Loss before income tax				(76,324)
Income tax expenses				(3,488)
Loss for the year				(79,812)
Other item				
Depreciation	—	—	(268)	(268)

The segment assets and liabilities as at 31 December 2020 and additions to investment properties for the year then ended are as follows:

	Office properties <i>HK\$'000</i>	Retail properties <i>HK\$'000</i>	Property management <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	896,959	470,518	11,547	1,379,024
Unallocated assets				76,525
Total assets				1,455,549
Segment liabilities	(11,779)	(4,223)	(839)	(16,841)
Unallocated liabilities				(100,279)
Total liabilities				(117,120)
Additions to investment properties	—	69,278	—	69,278

Note: Following the disposal of the industrial property in 2019 (Note 3(ii)), the Group had no industrial properties segment in 2020.

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

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

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

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 2020 and 2019 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	4,816	5,432

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 2020, non-current assets of HK\$1,374,603,000 (2019: HK\$1,413,362,000) other than deferred income tax assets are located in Hong Kong.

3 OTHER INCOME AND GAINS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	1,884	3,992
Gain on disposal of a subsidiary (<i>Note ii</i>)	—	1,812
Sundries (<i>Note i</i>)	990	—
	2,874	5,804

Notes:

- (i) Included in sundries of HK\$972,000 for the year ended 31 December 2020 was the government grants from the Employment Support Scheme (“ESS”) under the Anti-epidemic Fund launched by the Hong Kong Government, which aimed to retain employment and to assist the economy to recover once the coronavirus disease 2019 (“COVID-19”) is contained. As a condition of receiving the grants under the ESS, the Group had undertaken not to make redundancies by 30 November 2020.

These government grants were received with the compliance of all the attached conditions. Therefore the government grants were recognised in the consolidated statement of comprehensive income for the year ended 31 December 2020.

- (ii) 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 industrial property in Hong Kong. The transaction was completed on 28 June 2019. The Group recognised a gain on disposal of HK\$1,812,000 for the year ended 31 December 2019.

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

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

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

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

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

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

4 EXPENSES BY NATURE

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Auditor's remuneration		
Audit services	825	1,173
Non-audit services	200	200
Depreciation of property, plant and equipment	268	268
Direct operating expenses arising from investment properties generating rental income (<i>Note</i>)	334	586
Employee benefit expenses (including Directors' emoluments)	8,874	9,757
Impairment loss of trade receivables	—	18
Legal and professional expenses	983	1,541
Other expenses	592	515
Property management fee expenses	3,427	3,557
Rates and government rent	1,155	1,524
	<u>16,658</u>	<u>19,139</u>
Total cost of sales and general and administrative expenses	<u><u>16,658</u></u>	<u><u>19,139</u></u>

Note:

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

5 FINANCE EXPENSES

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on borrowings	1,506	5,197
	<u>1,506</u>	<u>5,197</u>

6 INCOME TAX EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong Profits Tax	2,765	3,095
Over-provision in prior years	(183)	(160)
Deferred income tax expenses	906	401
	<u>3,488</u>	<u>3,336</u>

For the years ended 31 December 2020 and 2019, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. 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%. The assessable profits of other entities of the Group not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5%.

No overseas profits tax have been provided for the years ended 31 December 2020 and 2019.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before income tax	<u>(76,324)</u>	<u>(182,561)</u>
Calculated at a tax rate of 16.5%	(12,593)	(30,123)
Income not subject to taxation	(470)	(870)
Expenses not deductible for taxation purposes	17,114	35,243
Effect of different tax rate of a subsidiary	(165)	(165)
Tax losses not recognised	5	84
Recognition of previously unrecognised tax losses	(220)	(527)
Utilisation of tax losses previously not recognised	—	(146)
Over-provision in prior years	(183)	(160)
	<u>3,488</u>	<u>3,336</u>
Income tax expenses	<u>3,488</u>	<u>3,336</u>

7 DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 December 2020 and 2019.

8 LOSS PER SHARE — BASIC AND DILUTED

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years.

	2020	2019
Loss attributable to owners of the Company (HK\$'000)	(79,812)	(185,897)
Weighted average number of ordinary shares in issue (thousands)	<u>720,000</u>	<u>720,000</u>
Basic loss per share (Hong Kong cents)	<u><u>(11.09)</u></u>	<u><u>(25.82)</u></u>

(b) Diluted loss per share

Diluted loss per share is of the same amount as the basic loss per share as there were no potentially dilutive ordinary shares outstanding as at 31 December 2020 and 2019.

9 TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	971	1,040
Prepayments, deposits and other receivables	<u>1,369</u>	<u>3,263</u>
	<u><u>2,340</u></u>	<u><u>4,303</u></u>

Trade receivables represent rental income receivables and property management fee receivables. 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:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	—	173
31 to 60 days	328	471
61 to 90 days	335	199
Over 90 days	308	197
	<hr/>	<hr/>
	971	1,040
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2020 and 2019, no impairment provision was made on the trade receivables. No trade receivables were written off for the year ended 31 December 2020 (2019: HK\$18,000).

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

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

10 BORROWINGS

As at 31 December 2019, the borrowings represent the current portion of borrowings from Good Shot Limited (“Good Shot”) which was matured in October 2020.

As at 31 December 2020, Good Shot had extended the borrowings to the Group upon its maturity date to January 2022. As a result, such borrowings are classified as non-current liabilities as at 31 December 2020.

The borrowings are interest bearing at the rate of one-month Hong Kong Interbank Offered Rate (“HIBOR”) plus 0.4% per annum. The borrowings are secured by corporate guarantees of the Company as at 31 December 2020 and 2019.

The Group's borrowings were repayable as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 year	—	128,167
Between 1 and 2 years	99,593	—
	<u>99,593</u>	<u>128,167</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
6 months or less	99,593	128,167
	<u>99,593</u>	<u>128,167</u>

The carrying amounts of the Group's borrowings approximate their fair value and are all denominated in Hong Kong dollars.

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to present to the shareholders of the Company (the "Shareholders") the annual results and consolidated financial statements of the Group for the year ended 31 December 2020.

The Group engages in property investment business in Hong Kong with a principal focus on office and retail 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 of approximately HK\$36.5 million for the year ended 31 December 2020 (2019: HK\$38.3 million), of which (i) approximately HK\$25.3 million or 69.3% (2019: HK\$26.8 million or 70.0%) of rental income was derived from rental of office properties and (ii) approximately HK\$11.2 million or 30.7% (2019: HK\$11.5 million or 30.0%) of rental income was derived from rental of retail properties. For the year ended 31 December 2020, the Group recorded property management fee income of approximately HK\$4.2 million (2019: HK\$5.7 million). The property management fee income contributed approximately 10.3% (2019: 12.9%) of the Group's total revenue for the year ended 31 December 2020.

OUTLOOK

The outbreak of COVID-19 in 2020 has continued to pose the risk of global economic slowdown and all walks of life are affected to a certain extent. Business activities in Hong Kong have generally slowed down and unemployment rates have increased in 2020. A large number of businesses including retail and food and beverage industries have been severely affected by the COVID-19 outbreak and some businesses were forced to shut down during the year. The Group has inevitably been affected. Save for the slight decrease in revenue of the Group, COVID-19 has not brought material impact to the financial position and operation to the Group. The current and foreseeable economic climate remains challenging, however, the Group will continue to closely monitor the global economic situation and make relevant rental policy adjustments accordingly, in order to minimise the impact on the Group. The Group expects that the property market will continue to be volatile, and shall take a mindful approach when evaluating potential 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 financial investments and 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 minimise the effects brought by the instability of the global economy.

APPRECIATION

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group engages in property investment business in Hong Kong with a principal focus on office and retail 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 loss of approximately HK\$79.8 million for the year ended 31 December 2020 as compared to approximately HK\$185.9 million for the year ended 31 December 2019. The loss was mainly attributable by the loss in fair value of investment properties of approximately HK\$101.8 million for current year. However, the Group recorded a profit of approximately HK\$21.9 million for the year ended 31 December 2020 (2019: HK\$22.1 million) by excluding the changes in fair value of investment properties.

The Group recorded rental income of approximately HK\$36.5 million for the year ended 31 December 2020 (2019: HK\$38.3 million), of which (i) approximately HK\$25.3 million or 69.3% (2019: HK\$26.8 million or 70.0%) of rental income was derived from rental of office properties and (ii) approximately HK\$11.2 million or 30.7% (2019: HK\$11.5 million or 30.0%) of rental income was derived from rental of retail properties. This slight decrease was due to unfavourable economic conditions in Hong Kong caused by the recent COVID-19 outbreak, which was netted off with the rent received from the new investment properties acquired in 2020. For the year ended 31 December 2020, the Group recorded property management fee income of approximately HK\$4.2 million (2019: HK\$5.7 million). The property management fee income contributed approximately 10.3% (2019: 12.9%) of the Group's total revenue for the year ended 31 December 2020.

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 on 25 April 2018 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 at an 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. On 14 August 2020, the parties entered into a second extension agreement, pursuant to which, the parties agreed to further extend the maturity date of the loan facilities from 25 October 2020 to 2 July 2021 which was further extended from 2 July 2021 to 3 January 2022 pursuant to the third extension agreement entered into between the parties on 28 December 2020.

INVESTMENT PROPERTY PORTFOLIO

As at 31 December 2020, the Group owned an investment property portfolio of 38 (2019: 36) properties. During the year ended 31 December 2020, the Group acquired two units of retail properties located in Hong Kong from independent third parties at the consideration of approximately HK\$35.5 million and HK\$33.8 million respectively.

The aggregate saleable area of the properties was approximately 59,887 sq.ft. (2019: 58,732 sq.ft.) as at 31 December 2020, of which approximately 60.2% (2019: 61.4%) and 25.1% (2019: 23.6%) was derived from office and retail properties located on Hong Kong Island, respectively, and 2.6% (2019: 2.7%) and 12.1% (2019: 12.3%) was derived from office and retail properties located in Kowloon, respectively.

The total value of the properties attributable to the Group was approximately HK\$1,363.3 million (2019: HK\$1,395.8 million) as at 31 December 2020, of which approximately 63.3% (2019: 66.4%) and 25.7% (2019: 22.5%) was derived from office and retail properties located on Hong Kong Island, respectively, and 2.2% (2019: 2.2%) and 8.8% (2019: 8.9%) was derived from office and retail properties located in Kowloon, respectively.

FINANCIAL REVIEW

The revenue and cost of sales for the year ended 31 December 2020 were approximately HK\$40.7 million and HK\$4.9 million (2019: HK\$44.0 million and HK\$5.7 million), respectively. The slight decrease in revenue of approximately HK\$3.3 million was primarily attributable to rent concession granted to tenants which reflected the impact of the outbreak of COVID-19 in office and retail properties in Hong Kong and vacancies of some properties.

The gross profit for the year ended 31 December 2020 was approximately HK\$35.8 million (2019: HK\$38.3 million). Loss for the year attributable to owners of the Company for the year ended 31 December 2020 was approximately HK\$79.8 million as compared with loss of approximately HK\$185.9 million for the year ended 31 December 2019, which was mainly due to the loss in fair value of investment properties of approximately HK\$101.8 million for the year ended 31 December 2020 (2019: HK\$208.0 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, cash and bank balances of the Group amounted to approximately HK\$78.1 million (2019: HK\$148.9 million). The current ratio (current assets divided by current liabilities) of the Group was approximately 6.6 as at 31 December 2020 (2019: 1.1).

As at 31 December 2020, the Group had a long-term loan outstanding which amounted to approximately HK\$99.6 million (2019: short-term loan which amounted to approximately HK\$128.2 million) which will mature in January 2022. The gearing ratio of the Group calculated as a ratio of net debt (representing borrowings less cash and bank balances) to total equity was 1.6%. As at 31 December 2019, the Group maintained at a net cash position.

FINAL DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no significant contingent liabilities (2019: Nil).

CAPITAL COMMITMENTS

As at 31 December 2020, the Group had no significant capital commitments (2019: Nil).

SIGNIFICANT INVESTMENTS

As at 31 December 2020, the Group did not have any significant investment plans (2019: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for the utilisation of the unutilised proceeds from the initial public offering for acquisition of new investment properties on or before 31 December 2021, the Group has no future plans for material investments or capital assets.

CHARGE OVER THE GROUP'S ASSETS

As at 31 December 2020, there was no charge over the assets of the Group (2019: Nil).

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

There was no significant event which occurred after the end of period from 1 January 2020 to 31 December 2020 (the "Reporting Period") and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had 18 full-time employees (2019: 19 employees). The Group entered into employment contracts with all its employees. Apart from salary remuneration and overtime compensation, employees are entitled to medical insurance coverage and retirement benefits under the mandatory provident fund scheme in which the Group participates. In addition, the Company granted discretionary bonuses to qualified employees, based on its operation results and individual performance. The Company had also adopted a share option scheme.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures for the year ended 31 December 2020.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company (the “Shares”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 16 January 2018 (the “Listing”). 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 used and 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 (“Prospectus”).

As at 31 December 2020, the net proceeds being utilised and the expected timeline for utilising the unutilised proceeds are as follows:

Use of proceeds	Proposed use of proceeds as disclosed in the Prospectus <i>HK\$ million</i>	Proceeds utilised up to 31 December 2019 <i>HK\$ million</i>	Proceeds utilised up to 31 December 2020 <i>HK\$ million</i>	Unutilised amount as at 31 December 2020 <i>HK\$ million</i>	Expected timeline for utilising the unutilised proceeds
Acquisitions of new investment properties	174.6	37.0	100.1	74.5	On or before 31 December 2021
Expansion and strengthening of our value-added property management services	9.7	9.7	9.7	—	N/A
Working capital and other general corporate purposes	9.7	9.7	9.7	—	N/A
	<u>194.0</u>	<u>56.4</u>	<u>119.5</u>	<u>74.5</u>	

During the year ended 31 December 2020, the actual application for the net proceeds from the Listing were used and expected to be used according to the intentions previously disclosed in the Prospectus and there was no change in the use of proceeds. The Company will continue to evaluate and adopt a prudent and flexible approach for utilising the net proceeds effectively and efficiently for the long-term benefit and development of the Group. The expected timeline for utilising the unutilised proceeds is based on the Directors’ best estimation barring unforeseen circumstances, and would be subject to change based on the development of market conditions.

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 2020.

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 2020.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures of the Group’s results for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the forthcoming annual general meeting to be held on Wednesday, 28 April 2021, the register of members of the Company will be closed from Wednesday, 21 April 2021 to Wednesday, 28 April 2021, both days inclusive, during the period no transfer of Shares will be registered. All transfers accompanied by the relevant certificates must be lodged with the Company’s transfer office and share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 20 April 2021.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Company established the audit committee of the Company (the “Audit Committee”) on 15 December 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three members, namely Ms. Chan Kam Ping, Mr. Wong King Wai Kirk and Mr. Wen Cyrus Jun-ming. Ms. Chan Kam Ping is the chairman of the Audit Committee. The Audit Committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2020.

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

Hong Kong, 26 February 2021

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