



Thing On Enterprise Limited
晉安實業有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2292

2018
Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

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

Independent Non-executive Directors

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

CHIEF EXECUTIVE OFFICER

Mr. Wong Fung Hing

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Chan Yuen Ying Stella

AUTHORISED REPRESENTATIVES

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

LEGAL ADVISERS AS TO HONG KONG LAW

King & Wood Mallesons

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

COMPLIANCE ADVISER

KGI Capital Asia Limited

REGISTERED OFFICE

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

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

PRINCIPAL BANKER

Hang Seng Bank

STOCK CODE

2292

WEBSITE

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Note	Six months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Audited)
Revenue	4	21,106	23,696
Cost of sales	6	(3,035)	(3,884)
Gross profit		18,071	19,812
Other income, gains/losses, net	5	1,863	11,180
Changes in fair value of investment properties	10	78,827	77,863
General and administrative expenses	6	(12,073)	(9,209)
Operating profit		86,688	99,646
Finance expenses		(2,740)	(1,557)
Profit before income tax		83,948	98,089
Income tax expenses	7	(1,772)	(2,679)
Profit for the period		82,176	95,410
Other comprehensive income		—	—
Profit and total comprehensive income attributable to owners of the Company		82,176	95,410
Earnings per share:			
Basic and diluted (Hong Kong cents) (2017: Unaudited)	9	11.65	17.67

The notes on pages 8 to 22 are an integral part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Investment properties	10	1,744,567	1,665,740
Property, plant and equipment	11	11,926	12,060
		1,756,493	1,677,800
Current assets			
Prepayments, deposits and other receivables		3,371	3,910
Tax prepayment		363	454
Bank deposits		215,000	—
Cash and bank balances		10,695	14,071
		229,429	18,435
Total assets		1,985,922	1,696,235
EQUITY			
Share capital	13	36	—
Reserves		1,635,896	1,340,242
Total equity attributable to owners of the Company		1,635,932	1,340,242

The notes on pages 8 to 22 are an integral part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2018

	Note	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		3,175	2,757
Borrowings	14	331,735	330,000
		334,910	332,757
Current liabilities			
Other payables and accruals	12	13,229	22,312
Amount due to ultimate holding company		—	336
Tax payable		1,851	588
		15,080	23,236
Total liabilities		349,990	355,993
Net current assets/(liabilities)		214,349	(4,801)
Total equity and liabilities		1,985,922	1,696,235

The unaudited interim condensed consolidated financial information on pages 3 to 22 was approved by the Board of Directors on 15 August 2018 and was signed on its behalf.

Wong Ka Yeung, Roland
Director

Chan Choi Wan, Rolie
Director

The notes on pages 8 to 22 are an integral part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	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 2017	—	—	3,990	1,001,261	1,005,251
Profit and total comprehensive income for the period	—	—	—	95,410	95,410
At 30 June 2017 (Audited)	—	—	3,990	1,096,671	1,100,661
At 1 January 2018	—	154,264	3,990	1,181,988	1,340,242
Profit and total comprehensive income for the period	—	—	—	82,176	82,176
Issuance of shares	36	223,164	—	—	223,200
Share issuance costs	—	(9,686)	—	—	(9,686)
At 30 June 2018 (Unaudited)	36	367,742	3,990	1,264,164	1,635,932

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 8 to 22 are an integral part of the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Audited)
Cash flows from operating activities		
Cash generated from operations	1,236	10,991
Hong Kong Profits Tax paid	—	(2,018)
Net cash generated from operating activities	1,236	8,973
Cash flows from investing activities		
Net cash outflow from disposal of subsidiaries	—	(1,021)
Placement of bank deposits	(215,000)	—
Bank interest received	734	—
Net cash used in investing activities	(214,266)	(1,021)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	223,200	—
Repayments of the ultimate holding company	(336)	(37,234)
Listing expenses paid	(8,052)	(725)
Borrowings interest paid	(3,658)	—
Other finance expense paid	(1,500)	—
Net cash generated from/(used in) financing activities	209,654	(37,959)
Net decrease in cash and cash equivalents during the periods	(3,376)	(30,007)
Cash and cash equivalents at beginning of periods	14,071	32,043
Cash and cash equivalents at end of periods	10,695	2,036
Analysis of balances of cash and cash equivalents		
Cash and bank balances	10,695	2,036

The notes on pages 8 to 22 are an integral part of the interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 BASIS OF PREPARATION

The interim condensed consolidated financial information comprises those of Thing On Enterprise Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”).

This interim condensed consolidated financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

This interim condensed consolidated financial information has been prepared in accordance with the same accounting policies adopted in the Group’s consolidated financial statements for the year ended 31 December 2017 (“the 2017 financial statements”), except for the accounting policy changes that are expected to be reflected in the Group’s consolidated financial statements for the year ending 31 December 2018. Details of these changes in accounting policies are set out in Note 2.

The preparation of interim condensed consolidated financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim condensed consolidated financial information contains condensed consolidated financial information and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 financial statements. The interim condensed consolidated financial information and notes thereon do not include all of the information required for the preparation of a full set of financial statements in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The interim condensed consolidated financial information is unaudited, but has been reviewed by PricewaterhouseCoopers (“PwC”) in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity” issued by the HKICPA. PwC’s independent review report to the Board of Directors is included on page 23 of this report. In addition, this interim condensed consolidated financial information has been reviewed by the Company’s Audit Committee.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2 CHANGES IN ACCOUNTING POLICIES

(a) *New and amended standards adopted by the Group*

The accounting standards and amendments used in the preparation of the interim condensed consolidated financial information are consistent with those set out in the 2017 financial statements, except for the adoption of the following amendments and adoptions to existing standards issued by the HKICPA:

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

HKFRS 9 “Financial Instruments”

HKFRS 9 replaces the whole of HKAS 39 which addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

All of the Group’s financial assets and financial liabilities were carried at amortised costs without significant impairment on the former, the implementation of HKFRS 9 does not result in any significant impact on the Group’s financial position and results of operations.

HKFRS 15 “Revenue from Contracts with Customers”

HKFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Costs such as agency commissions incurred directly attributable to obtaining a contract, if recoverable, are capitalised and recorded in contract assets. The standard replaces HKAS 18 “Revenue” and HKAS 11 “Construction contracts” and related interpretations.

The Group has two major revenue streams, namely (i) rental income and (ii) property management fee income which is recognised over time under HKFRS15. Rental income from lease agreements is specifically excluded from the scope of HKFRS 15. Management has performed an assessment and the implementation of HKFRS 15 does not result in any significant impact on the Group’s financial position and results of operations.

Other than HKFRS 9 and HKFRS 15, the adoption of these amendments does not have any significant impact on the interim condensed consolidated financial information of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

2 CHANGES IN ACCOUNTING POLICIES (Continued)

(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, interpretations and amendments which are relevant to the Group's operation but not yet effective for the annual period beginning on 1 January 2018 and the Group has not early adopted.

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK (IFRIC) Interpretation 23	Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

HKFRS 16 "Leases"

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

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense on a year to date basis. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2017 financial statements.

4 REVENUE AND SEGMENT INFORMATION

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

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

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Audited)
Total segment revenue		
Rental income — Office properties	12,506	12,269
Rental income — Retail properties	5,624	5,125
Rental income — Industrial properties	623	3,782
Property management fee income	7,516	5,030
Less: Inter-segment revenue		
Property management fee income	(5,163)	(2,510)
	21,106	23,696

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4 REVENUE AND SEGMENT INFORMATION (Continued)

The CODM considers the business from service perspectives and the Group is organised into rental and property management major business segments according to the nature of services provided: rental income from office properties, rental income from retail properties, rental income from industrial properties and property management fee income.

The CODM assesses the performance of the operating segments based on the segment profit of each segment. The measurement of segment profit is profit before income tax and before items which are not specifically attributed to individual reportable segments, such as unallocated corporate income/expenses.

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

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

For the six months ended 30 June 2018, inter-segment property management fee income of HK\$5,163,000 (2017: HK\$2,510,000) was charged.

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

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

Unallocated assets represented the other corporate receivables and bank deposits.

Unallocated liabilities represented the amount due to ultimate holding company, the borrowings and the other corporate payables.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4 REVENUE AND SEGMENT INFORMATION (Continued)

(a) For the six months ended 30 June 2018 (Unaudited)

The segment results for the six months ended 30 June 2018 and other segment item included in the interim condensed 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	12,506	5,624	623	7,516	26,269
Less: Inter-segment revenue	—	—	—	(5,163)	(5,163)
Revenue	12,506	5,624	623	2,353	21,106
Segment profit	66,339	15,874	5,740	2,997	90,950
Unallocated corporate income and expenses, net					(7,002)
Profit before income tax					83,948
Income tax expenses					(1,772)
Profit for the period					82,176
Other item					
Depreciation (Note 11)	—	—	—	(134)	(134)

As at 30 June 2018 (Unaudited)

The segment assets and liabilities as at 30 June 2018 are as follows:

	Office properties HK\$'000	Retail properties HK\$'000	Industrial properties HK\$'000	Property management HK\$'000	Total HK\$'000
Segment assets	1,085,703	526,057	135,807	12,364	1,759,931
Unallocated assets					225,991
Total assets					1,985,922
Segment liabilities	(11,780)	(3,524)	(168)	(20)	(15,492)
Unallocated liabilities					(334,498)
Total liabilities					(349,990)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

4 REVENUE AND SEGMENT INFORMATION (Continued)

(b) For the six months ended 30 June 2017

The segment results for the six months ended 30 June 2017 and other segment item included in the interim condensed 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	12,269	5,125	3,782	5,030	26,206
Less: Inter-segment revenue	—	—	—	(2,510)	(2,510)
Revenue	12,269	5,125	3,782	2,520	23,696
Segment profit	77,478	12,146	13,957	1,147	104,728
Unallocated corporate income and expenses, net					(6,639)
Profit before income tax					98,089
Income tax expenses					(2,679)
Profit for the period					95,410
Other item					
Depreciation	—	—	—	(134)	(134)

As at 31 December 2017

The segment assets and liabilities as at 31 December 2017 are as follows:

	Office properties HK\$'000	Retail properties HK\$'000	Industrial properties HK\$'000	Property management HK\$'000	Total HK\$'000
Segment assets	1,028,951	514,542	129,724	12,634	1,685,851
Unallocated assets					10,384
Total assets					1,696,235
Segment liabilities	(10,257)	(3,392)	(757)	(6,674)	(21,080)
Unallocated liabilities					(334,913)
Total liabilities					(355,993)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

5 OTHER INCOME, GAINS/LOSSES, NET

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Audited)
Bank interest income	1,861	—
Gain on disposal of subsidiaries	—	11,095
Sundries	2	85
	1,863	11,180

6 EXPENSES BY NATURE

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Audited)
Direct operating expenses arising from investment properties generating rental income (Note)	554	1,241
Property management fee expenses	1,772	1,808
Rates and government rent	709	835
Depreciation of property, plant and equipment (Note 11)	134	134
Employee benefit expenses (including directors' emoluments)	4,110	3,429
Listing expenses	5,772	5,067
Auditor's remuneration (excluding listing related services)		
Audit services	—	85
Non-audit services	200	—
Legal and professional expenses	891	6
Other expenses	966	488
Total cost of sales and general and administrative expenses	15,108	13,093

Note:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

7 INCOME TAX EXPENSES

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Audited)
Hong Kong Profits Tax	1,492	2,625
Over-provision in prior year	(138)	—
Deferred income tax expense	418	54
	1,772	2,679

For the six months ended 30 June 2018, Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit. No overseas profits tax has been calculated as the group companies incorporated in the British Virgin Islands or the Cayman Islands are exempted from tax.

8 DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2018 (2017: Nil).

9 EARNINGS PER SHARE — BASIC AND DILUTED

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effects of the issue of shares in connection with the reorganisation completed on 15 December 2017 and the capitalisation issue which took place on 16 January 2018. Details of these events are stated in the 2017 financial statements.

	Six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	82,176	95,410
Weighted average number of ordinary shares in issue (thousands)	705,083	540,000
Basic earnings per share (Hong Kong cents)	11.65	17.67

(b) Diluted earnings per share

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive ordinary shares outstanding as at 30 June 2017 and 2018.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

10 INVESTMENT PROPERTIES

	HK\$'000
Fair value	
At 1 January 2018 (Audited)	1,665,740
Changes in fair value of investment properties	78,827
At 30 June 2018 (Unaudited)	1,744,567

Notes:

- (a) None of the above investment properties was pledged as security as at 30 June 2018 (31 December 2017: Nil).
- (b) 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"). Discussions of valuation processes and results are held between the CFO and the finance team periodically. 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 investment properties are included in Level 3 (31 December 2017: Level 3) of the fair value hierarchy.

- (c) 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 six months ended 30 June 2018 (31 December 2017: Nil). Direct comparison approach is based on assuming sales of the properties in its existing state by making reference to comparable market transactions as available in the relevant market. However, given the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative differences that may affect the price likely to be achieved by the properties under consideration.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

11 PROPERTY, PLANT AND EQUIPMENT

	Land and building HK\$'000	Furniture, fixtures, and office equipment HK\$'000	Total HK\$'000
Cost			
At 1 January 2018 (Audited) and 30 June 2018 (Unaudited)	13,400	3,169	16,569
Depreciation			
At 1 January 2018 (Audited)	1,340	3,169	4,509
Charge for the period	134	—	134
At 30 June 2018 (Unaudited)	1,474	3,169	4,643
Carrying value			
At 1 January 2018 (Audited)	12,060	—	12,060
At 30 June 2018 (Unaudited)	11,926	—	11,926

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

12 OTHER PAYABLES AND ACCRUALS

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Rental deposits	9,918	9,967
Rental receipt in advance	332	968
Accruals and other payables	2,979	11,377
	13,229	22,312

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

13 SHARE CAPITAL

Authorised shares:

	Number of shares (thousands)	HK\$'000
At 1 January 2018 (Audited) and 30 June 2018 (Unaudited)	7,600,000	380
Ordinary shares, issued and fully paid:		
At 1 January 2018 (Audited)	—	—
Issuance of shares (Note)	720,000	36
At 30 June 2018 (Unaudited)	720,000	36

Note:

On 16 January 2018, the Company was listed on The Stock Exchange of Hong Kong Limited 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.

14 BORROWINGS

As at 30 June 2018, the borrowings represent a long-term loan from Good Shot Limited, a fellow subsidiary, which will mature in October 2019 and is interest bearing at the rate of one-month Hong Kong Interbank Offered Rate ("HIBOR") plus 0.4% per annum. The loan was secured by corporate guarantees of the Company as at 30 June 2018.

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

The Group's borrowings were repayable between 1 and 2 years as at 30 June 2018 (31 December 2017: between 1 and 2 years).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

15 COMMITMENTS

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

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
No later than one year	28,038	28,839
Later than one year and no later than five years	21,375	25,731
	49,413	54,570

The Group's operating leases are for terms of 1 to 3 years as at 30 June 2018 and 31 December 2017.

16 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the interim condensed consolidated financial information, 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 six months ended 30 June 2018.

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

Name	Relationship
Thing On Capital Limited	Note
Good Shot Limited	Note

Note:

These related companies are commonly controlled by Mr. Wong.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with the related companies:

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Audited)
Rental income and property management fee income (Note i) The related company commonly controlled by Mr. Wong	2,714	2,468
Finance expenses (Note ii) The related company commonly controlled by Mr. Wong	1,004	—

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 loan as disclosed in Note 14 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 Limited, ultimate holding company of the Group, at a consideration of HK\$7.8. The Group recognised a gain of HK\$7.8 on disposal of a subsidiary during the six months ended 30 June 2018.

(c) Balances with the related companies

	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
Amount due to ultimate holding company	—	336
Borrowings from a related company (Note 14)	331,735	—
Prepaid loan handling fee to a related company	1,317	—

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

16 RELATED PARTY TRANSACTIONS (Continued)

(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:

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Audited)
Fees	180	—
Salaries and other emoluments	2,345	900
Contributions to defined contribution schemes	51	18
	2,576	918

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF THING ON ENTERPRISE LIMITED

(incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 3 to 22, which comprises the interim condensed consolidated statement of financial position of Thing On Enterprise Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2018 and the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company and its subsidiaries (collectively, the “Group”) engages in property investment business in Hong Kong with a principal focus on office, retail and industrial properties leasing and in the property management business. Its investment property portfolio covers Grade A office space in core business areas, retail shops in prime urban areas, and industrial building units in a developed urban area.

The Group recorded profit of approximately HK\$82.2 million for the six months ended 30 June 2018 as compared to profit of approximately HK\$95.4 million for the six months ended 30 June 2017. The decrease in profit was mainly due to (i) the one-off gain on disposal of subsidiaries for the six months ended 30 June 2017 which did not recur in the current period and (ii) the increase in general and administrative expenses from approximately HK\$9.2 million for the six months ended 30 June 2017 to approximately HK\$12.1 million for the six months ended 30 June 2018.

The Group recorded rental income of approximately HK\$18.7 million for the six months ended 30 June 2018 (2017: HK\$21.2 million), of which approximately HK\$12.5 million or 66.9% (2017: HK\$12.3 million or 58.0%) of rental income was derived from rental of office properties, approximately HK\$5.6 million or 29.9% (2017: HK\$5.1 million or 24.1%) of rental income was derived from rental of retail properties and approximately HK\$0.6 million or 3.2% (2017: HK\$3.8 million or 17.9%) of rental income was derived from rental of industrial properties. For the six months ended 30 June 2018, the Group recorded property management fee income of approximately HK\$2.4 million (2017: HK\$2.5 million). The property management fee income contributed approximately 11.4% (2017: 10.5%) of the Group’s total revenue for the six months ended 30 June 2018.

While the rental income from office properties and retail properties maintained a steady growth during the six months ended 30 June 2018, the decrease in rental income from industrial properties was because one industrial property located in Hong Kong Island became vacant since February 2018.

In order to facilitate the expansion of the Group’s business activities in property investment in other countries outside Hong Kong as well as investments in financial assets and provision of financial services so as to further explore sources of revenue, Good Shot Limited, a wholly-owned subsidiary of Thing On Group Limited, the controlling shareholder of the Company, agreed to make available to the Group (i) an unsecured revolving loan facility of up to HK\$400,000,000, and (ii) an unsecured revolving loan facility of up to HK\$600,000,000, both for a term of 18 months from 25 April 2018 at interest rate more favourable than market rate.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OUTLOOK

The Group has been using Hong Kong as its major property investment market. Therefore, the Group's performance is very dependent on the performance of the local market. While the Group endeavors to steadily improve its performance in Hong Kong, it has also started to actively consider looking for quality properties in other international cities outside Hong Kong to reduce the risk of the Group relying on a single market as well as to further explore sources of revenue in overseas markets.

Meanwhile, the Company is also proactively considering to expand its business activities including, but not limited to, investments in financial assets and provision of financial services to bring better returns to its shareholders.

FINANCIAL REVIEW

The revenue and cost of sales for the six months ended 30 June 2018 were approximately HK\$21.1 million and HK\$3.0 million (2017: HK\$23.7 million and HK\$3.9 million), respectively. The gross profit for the six months ended 30 June 2018 was approximately HK\$18.1 million (2017: HK\$19.8 million).

For the six months ended 30 June 2018, basic earnings per share was Hong Kong cents 11.65 (2017: Hong Kong cents 17.67).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, cash and bank balances of the Group amounted to approximately HK\$10.7 million (31 December 2017: HK\$14.1 million) and the bank deposits of the Group amounted to HK\$215.0 million (31 December 2017: Nil). The current ratio (current assets divided by current liabilities) of the Group was 15.2 as at 30 June 2018 (31 December 2017: 0.8).

As at 30 June 2018, the Group had a long-term loan from Good Shot Limited, a wholly-owned subsidiary of Thing On Group Limited, the controlling shareholder of the Company, of approximately HK\$331.7 million and it is bearing interest at the rate of one-month Hong Kong Interbank Offered Rate plus 0.4% per annum, which will mature in October 2019. The gearing ratio of the Group calculated as a ratio of net debt (representing borrowings less cash and bank balances and bank deposits) to total equity was 6.5% (31 December 2017: 23.6%).

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 period under review. The Board closely monitors the Group's 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FOREIGN EXCHANGE EXPOSURE

The Group's revenue generating activities and borrowings were transacted in Hong Kong Dollar, which is the functional and presentation currency of the Group. The Board considers that the Group was not exposed to significant foreign exchange risk, and had not employed any financial instrument for hedging. The Board will review the Group's foreign exchange risk and exposure from time to time and will apply hedging where necessary.

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend for the six months ended 30 June 2018 (2017: Nil).

CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no significant contingent liabilities (31 December 2017: Nil).

CAPITAL COMMITMENTS

As at 30 June 2018, the Group had no significant capital commitments (31 December 2017: Nil).

SIGNIFICANT INVESTMENTS

As at 30 June 2018, the Group did not have any significant investment held or any future plan.

SIGNIFICANT EVENTS AFTER THE END OF THE REVIEW PERIOD

There has been no significant events occurring after the end of the review period up to the date of this report.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group has 16 employees (31 December 2017: 15 employees). The Group entered into employment contracts with all its employees. Apart from salary remuneration and overtime compensation, employees are entitled to medical insurance coverage and retirement benefits under the mandatory provident fund scheme in which the Group participates. In addition, the Company granted discretionary bonuses to qualified employees, based on its operation results and individual performance. The Company had also adopted a share option scheme.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2018.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 January 2018 (the “Listing Date”). Based on the offer price of HK\$1.24 per offer share, the net proceeds from the global offering received by the Company, after deducting the underwriting fees and commissions and expenses in relation to the global offering borne by the Company, were approximately HK\$194.0 million. Since the Listing Date and up to the date of this report, the Company has not utilized any net proceeds raised from the global offering of the Company. Such net proceeds are intended to be applied in accordance with the proposed applications as set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 28 December 2017.

OTHER INFORMATION

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

As at 30 June 2018, 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 of Hong Kong Limited (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 for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are set out below:

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

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

Save as disclosed above, none of the Directors, 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 30 June 2018.

OTHER INFORMATION (CONTINUED)

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

As at 30 June 2018, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that other than the interests of the Directors and the chief executives of the Company, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

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

Notes:

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

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2018.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Share Option Scheme") pursuant to the written resolutions of the then shareholder passed on 15 December 2017 (the "Adoption Date"). The purposes of the Share Option Scheme are to enable the Group to provide additional incentives or rewards to selected participants for their contributions to the Group and to promote the success of the business of the Group. The 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.

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

OTHER INFORMATION (CONTINUED)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date and up to 30 June 2018.

CORPORATE GOVERNANCE PRACTICES

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.

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 code provisions set out in the CG Code during the period from the Listing Date and up to 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 since the Listing Date and up to 30 June 2018.

REVIEW OF INTERIM RESULTS OF AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 15 December 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three members, namely Ms. Chan Kam Ping, Mr. Wong King Wai Kirk and Mr. Wen Cyrus Jun-ming. Ms. Chan Kam Ping is the chairman of the Audit Committee. The Audit Committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2018.

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

Hong Kong, 15 August 2018