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## ALLIED PROPERTIES (H.K.) LIMITED

(聯合地產(香港)有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock Code: 56)

### ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR 2018

The board of directors (“Board”) of Allied Properties (H.K.) Limited (“Company”) announces that the audited consolidated results of the Company and its subsidiaries (“Group”) for the year ended 31st December, 2018 are as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31ST DECEMBER, 2018

	Notes	2018 HK\$ Million	2017 HK\$ Million
Revenue	(2)		
Interest income		4,132.9	3,665.2
Other revenue		782.5	709.1
		<b>4,915.4</b>	<b>4,374.3</b>
Other income		<b>300.9</b>	139.3
Total income		<b>5,216.3</b>	4,513.6
Cost of sales and other direct costs		(495.6)	(365.6)
Brokerage and commission expenses		(50.5)	(46.7)
Selling and marketing expenses		(159.2)	(145.6)
Administrative expenses		(1,321.6)	(1,348.5)
Changes in values of properties	(4)	756.5	982.3
Net gain on financial assets and liabilities at fair value through profit or loss	(5)	235.7	1,229.9
Net exchange loss		(10.9)	(107.4)
Net impairment losses on financial instruments	(6)	(902.6)	–
Bad and doubtful debts	(6)	–	(387.4)
Other operating expenses		(123.3)	(287.5)
Finance costs	(7)	(455.8)	(384.3)
Share of results of associates		498.5	1,277.3
Share of results of joint ventures		336.2	659.4
Profit before taxation	(8)	<b>3,523.7</b>	5,589.5
Taxation	(9)	(247.5)	(322.0)
Profit for the year		<b>3,276.2</b>	<b>5,267.5</b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)**  
**FOR THE YEAR ENDED 31ST DECEMBER, 2018**

	<i>Notes</i>	<b>2018</b> <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
Attributable to:			
Owners of the Company		<b>2,343.4</b>	3,991.1
Non-controlling interests		<b>932.8</b>	1,276.4
		<u><b>3,276.2</b></u>	<u>5,267.5</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings per share</b>	<i>(10)</i>		
Basic		<u><b>34.40</b></u>	<u>58.59</u>
Diluted		<u><b>34.39</b></u>	<u>58.58</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 31ST DECEMBER, 2018

	2018 <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
Profit for the year	<u>3,276.2</u>	<u>5,267.5</u>
Other comprehensive (expenses) income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Investments in equity instruments at fair value through other comprehensive income		
– Net fair value changes during the year	(129.7)	–
Share of other comprehensive (expenses) income of associates	(216.1)	337.3
Share of other comprehensive income of joint ventures	1.6	0.2
	<u>(344.2)</u>	<u>337.5</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Available-for-sale financial assets		
– Net fair value changes during the year	–	(175.5)
– Reclassification adjustment to profit or loss on impairment	–	176.2
	–	0.7
Exchange differences arising on translation of foreign operations	(329.9)	465.6
Reclassification adjustment to profit or loss on deemed disposal of an associate	2.1	–
Reclassification adjustment to profit or loss on disposal of an associate	(7.6)	–
Reclassification adjustment to profit or loss on disposal of joint ventures	2.8	–
Share of other comprehensive (expenses) income of associates	(63.9)	70.6
Share of other comprehensive (expenses) income of joint ventures	(5.9)	2.3
	<u>(402.4)</u>	<u>539.2</u>
Other comprehensive (expenses) income for the year, net of tax	<u>(746.6)</u>	<u>876.7</u>
Total comprehensive income for the year	<u>2,529.6</u>	<u>6,144.2</u>
Attributable to:		
Owners of the Company	1,862.8	4,559.3
Non-controlling interests	666.8	1,584.9
	<u>2,529.6</u>	<u>6,144.2</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31ST DECEMBER, 2018**

	<i>Notes</i>	<b>2018</b> <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
<b>Non-current assets</b>			
Investment properties		<b>10,291.6</b>	9,537.1
Property, plant and equipment		<b>1,051.9</b>	1,084.9
Prepaid land lease payments		<b>4.0</b>	4.4
Goodwill		<b>2,498.7</b>	2,498.7
Intangible assets		<b>895.1</b>	887.5
Interests in associates		<b>13,257.8</b>	13,288.0
Interests in joint ventures		<b>3,455.0</b>	3,163.7
Available-for-sale financial assets		–	324.0
Financial assets at fair value through other comprehensive income		<b>206.5</b>	–
Amounts due from associates		<b>266.7</b>	275.2
Loans and advances to consumer finance customers due after one year	<i>(12)</i>	<b>2,618.9</b>	2,322.8
Mortgage loans	<i>(13)</i>	<b>1,956.8</b>	1,243.1
Deferred tax assets		<b>730.3</b>	649.6
Financial assets at fair value through profit or loss		<b>6,360.9</b>	5,033.7
Term loans, trade receivables, prepayments and other receivables	<i>(14)</i>	<b>79.5</b>	505.8
		<b>43,673.7</b>	40,818.5
<b>Current assets</b>			
Other inventories		<b>0.3</b>	0.2
Financial assets at fair value through profit or loss		<b>4,378.6</b>	6,199.1
Prepaid land lease payments		<b>0.1</b>	0.1
Loans and advances to consumer finance customers due within one year	<i>(12)</i>	<b>7,150.8</b>	6,840.8
Mortgage loans	<i>(13)</i>	<b>1,897.4</b>	877.3
Term loans, trade receivables, prepayments and other receivables	<i>(14)</i>	<b>4,487.6</b>	3,162.6
Amounts due from brokers		<b>507.1</b>	725.9
Amounts due from associates		<b>266.3</b>	228.1
Amounts due from joint ventures		<b>9.8</b>	9.1
Tax recoverable		<b>6.1</b>	5.9
Short-term pledged bank deposits and bank balances		<b>20.0</b>	1.2
Bank deposits		<b>353.5</b>	787.7
Cash and cash equivalents		<b>5,031.6</b>	2,409.7
		<b>24,109.2</b>	21,247.7

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)**  
**AT 31ST DECEMBER, 2018**

	<i>Notes</i>	<b>2018</b> <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
<b>Current liabilities</b>			
Trade payables, other payables and accruals	(15)	<b>346.6</b>	425.5
Financial assets sold under repurchase agreements		<b>1,216.5</b>	1,071.0
Financial liabilities at fair value through profit or loss		<b>425.3</b>	161.1
Amount due to a holding company		<b>27.8</b>	14.9
Amounts due to associates		<b>7.4</b>	7.4
Amounts due to joint ventures		<b>40.1</b>	0.1
Tax payable		<b>188.6</b>	156.6
Bank and other borrowings due within one year		<b>7,569.8</b>	2,784.9
Notes/papers payable		<b>749.5</b>	1,077.0
Provisions		<b>105.1</b>	70.7
		<b>10,676.7</b>	5,769.2
<b>Net current assets</b>		<b>13,432.5</b>	15,478.5
<b>Total assets less current liabilities</b>		<b>57,106.2</b>	56,297.0
<b>Capital and reserves</b>			
Share capital		<b>4,250.6</b>	4,250.6
Reserves	(16)	<b>32,487.1</b>	30,768.6
<b>Equity attributable to owners of the Company</b>		<b>36,737.7</b>	35,019.2
Shares held for employee ownership scheme		<b>(29.7)</b>	(7.6)
Employee share-based compensation reserve		<b>10.5</b>	5.1
Share of net assets of subsidiaries		<b>11,162.3</b>	12,277.6
<b>Non-controlling interests</b>		<b>11,143.1</b>	12,275.1
<b>Total equity</b>		<b>47,880.8</b>	47,294.3
<b>Non-current liabilities</b>			
Bank and other borrowings due after one year		<b>1,961.8</b>	1,740.4
Notes/papers payable		<b>6,926.5</b>	6,930.4
Deferred tax liabilities		<b>332.2</b>	328.6
Provisions		<b>4.9</b>	3.3
		<b>9,225.4</b>	9,002.7
		<b>57,106.2</b>	56,297.0

Notes:

**(1) Basis of preparation**

**Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)**

*New and amendments to HKFRSs that are mandatorily effective for the current year*

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the above new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The same accounting policies, presentation and methods of computation have been followed in these consolidated financial statements as were applied in the preparation of the Group’s financial statements for the year ended 31st December, 2017.

**1.1 HKFRS 9 Financial Instruments and the related amendments**

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets, loan commitments and financial guarantee contracts and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1st January, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1st January, 2018. The difference between carrying amounts as at 31st December, 2017 and the carrying amounts as at 1st January, 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

### **1.1.1 Key changes in accounting policies resulting from application of HKFRS 9**

#### Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 1.1.2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other revenue" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "net gain on financial assets and liabilities at fair value through profit or loss" line item.

*Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 1.1.2)*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including term loans, trade and other receivables, short-term pledged bank deposits and bank balances, bank deposits, cash and cash equivalents, loans and advances to consumer finance customers, mortgage loans, amounts due from brokers, amounts due from associates and amounts due from joint ventures), loan commitments and financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.



Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in (1) regulatory, economic or technological environments; (2) business or financial conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- financial re-organisation/restructuring entered by the debtors.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, 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 its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. In particular, the following qualitative indicators are taken into account in determining the risk of a default occurring:

- probable bankruptcy entered by the borrowers;
- death of the debtor, and
- disappearance of active market of the collateral or repossessed properties.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower concessions that the lenders would not otherwise consider;
- (d) probable bankruptcy or other financial reorganisation entered by the debtor;

- (e) probable shortfall that expected cash inflows from the realisation of collateral is below the carrying amount of financial assets; or
  - (f) the disappearance of an active market for that financial asset because of financial difficulties.
- (iv) Write-off policy

The Group writes off the gross carrying amount of a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate.

A write-off constitutes a derecognition event. Any subsequent recoveries will result in an impairment gain and is included in "Net impairment losses on financial instruments" in note 6.

For the year ended 31st December, 2018, the measurement of the expected credit loss under HKFRS 9 is included in "Net impairment losses on financial instruments" as presented in note 6. Prior period amount determined adopting the incurred loss model under HKAS 39 is not restated and presented as "Bad and doubtful debts" in note 6.

- (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or caters for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the below basis:

- Nature of financial instruments (i.e. the Group's term loans, trade and other receivables, loans and advances to consumer finance customers and mortgage loans are each assessed as a separate group. Amounts due from brokers, amounts due from associates and amounts due from joint ventures are assessed for expected credit losses on an individual basis);
- Past-due status; and
- Nature, size and industry of debtors;

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

- (a) the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan; and
- (b) the cash flows that the Group expects to receive if the loan is drawn down.

Except for loan commitments and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of term loans, trade and other receivables, loans and advances to consumer finance customers and mortgage loans where the corresponding adjustment is recognised through a loss allowance account. For loan commitments and financial guarantee contracts, the loss allowances are recognised as provisions.

(vi) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

(vii) Fair value measurement principles

Fair values of quoted investments are based on quoted prices. For unlisted securities or financial assets without an active market, the Group establishes the fair value by using appropriate valuation techniques including the use of recent arm's length transactions, reference to other investments that are substantially the same, discounted cash flow analysis and option pricing models.

Classification and measurement of financial liabilities

Non-substantial modifications of financial liabilities (under HKFRS 9 since 1st January, 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

### 1.1.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including the measurement of ECL) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1st January, 2018.

	Available- for-sale financial assets HK\$ Million	Interests in associates HK\$ Million	Financial assets designated at FVTPL HK\$ Million	Financial assets at FVTPL required by HKAS 39/ HKFRS 9 HK\$ Million	Financial assets at FVTOCI HK\$ Million	Financial assets measured at amortised cost (previously classified as loans and receivables) HK\$ Million	Financial liabilities measured at amortised cost HK\$ Million	Provisions HK\$ Million	Deferred tax assets HK\$ Million	Investment revaluation reserve HK\$ Million	Accumulated profits HK\$ Million	Non- controlling interests HK\$ Million
<b>Closing balance at 31st December, 2017</b>												
- HKAS 39	324.0	13,288.0	5,436.3	5,796.5	-	19,353.5	13,862.0	74.0	649.6	324.8	29,470.7	12,275.1
<b>Effect arising from initial application of HKFRS 9:</b>												
<b>Reclassification</b>												
From available-for-sale financial assets (a)	(324.0)	-	-	41.4	282.6	-	-	-	-	(138.0)	138.0	-
From financial assets designated at FVTPL (b)	-	-	(5,436.3)	5,436.3	-	-	-	-	-	-	-	-
Share of reclassification adjustment from associates (c)	-	-	-	-	-	-	-	-	-	(86.3)	86.3	-
<b>Remeasurement</b>												
Impairment under ECL model (c)/(e)	-	(5.4)	-	-	-	(78.8)	-	27.8	28.2	-	(28.5)	(55.3)
Non-substantial modification of financial liabilities (d)	-	-	-	-	-	-	(10.9)	-	-	-	6.0	4.9
<b>Opening balance at 1st January, 2018</b>	-	13,282.6	-	11,274.2	282.6	19,274.7	13,851.1	101.8	677.8	100.5	29,672.5	12,224.7

(a) Available-for-sale (“AFS”) financial assets

*From AFS financial assets to financial assets at FVTOCI*

The Group elected to present in OCI the fair value changes of some of its equity investments previously classified as AFS financial assets, of which unquoted equity investments of HK\$21.6 million were previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, investments of HK\$282.6 million were reclassified from AFS financial assets to equity instruments at FVTOCI. In addition, impairment losses previously recognised of HK\$121.6 million attributable to owners of the Company were transferred from accumulated profits to investment revaluation reserve as at 1st January, 2018.

*From AFS financial assets to financial assets at FVTPL*

At the date of initial application of HKFRS 9, some of the Group’s equity investments of HK\$41.4 million were reclassified from AFS financial assets to financial assets at FVTPL. The fair value gain of HK\$16.4 million attributable to owners of the Company as at 1st January, 2018 was transferred from investment revaluation reserve to accumulated profits.

(b) Financial assets at FVTPL and/or designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the convertible notes and the portfolio of financial assets categorised in FVTPL which is managed and its performance is evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under HKFRS 9. As a result, the fair value of these investments of HK\$5,436.3 million were reclassified from financial assets designated at FVTPL to financial assets at FVTPL. There was no impact on the amounts recognised in relation to other financial assets at FVTPL from the application of HKFRS 9.

(c) Impairment under ECL model

Loss allowances for other financial assets at amortised cost comprising mainly of amounts due from associates, amounts due from joint ventures, loans and advances to consumer finance customers, mortgage loans, term loans, trade and other receivables, amounts due from brokers, short-term pledged bank deposits and bank balances, bank deposits and cash and cash equivalents, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition, except for certain loans and advances to consumer finance customers, mortgage loans and term loans which are measured on lifetime ECL basis as for those credit risk had increased significantly since initial recognition. For undrawn loan commitments, an ECL of HK\$27.8 million which is included in provisions has been recognised.

As at 1st January, 2018, the additional credit loss allowance of HK\$106.6 million and deferred tax assets of HK\$28.2 million have been recognised against accumulated profits of HK\$25.4 million and non-controlling interests of HK\$53.0 million. The additional loss allowance is charged against the respective asset.

All loss allowances for financial assets (including loans and advances to consumer finance customers, mortgage loans, term loans and payments on behalf of customers) and loan commitments as at 31st December, 2017 reconciled to the opening loss allowance as at 1st January, 2018 is as follows:

	Loans and advances to consumer finance customers <i>HK\$ Million</i>	Loan commitments <i>HK\$ Million</i>	Mortgage loans <i>HK\$ Million</i>	Term loans <i>HK\$ Million</i>	Payments on behalf of customers (included in trade receivables) <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
At 31st December, 2017						
– HKAS 39	663.3	–	5.0	86.6	6.6	761.5
Amounts remeasured through opening accumulated profits and non-controlling interests	77.5	27.8	0.2	1.1	–	106.6
Amounts written off ( <i>Note</i> )	(122.7)	–	–	–	(6.3)	(129.0)
At 1st January, 2018	<u>618.1</u>	<u>27.8</u>	<u>5.2</u>	<u>87.7</u>	<u>0.3</u>	<u>739.1</u>

*Note:* Amounts written off resulted from the refinement of the write-off policy on the initial application of HKFRS 9.

(d) Financial liabilities with non-substantial modification

Under HKAS 39, the Group revised the effective interest rates for non-substantial modification with no gain or loss being recognised in profit or loss. At the date of initial application, the carrying amounts of financial liabilities previously modified were adjusted downward by HK\$10.9 million to reflect the change in accounting policies as stated in note 1.1.1, with corresponding adjustments credited to the accumulated profits and non-controlling interests as at 1st January, 2018 of HK\$6.0 million and HK\$4.9 million respectively.

(e) Interests in associates

The Group's share of adjustment arising from initial application of HKFRS 9 by associates led to a debit to investment revaluation reserve as at 1st January, 2018 by HK\$86.3 million with a corresponding credit to accumulated profits as at 1st January, 2018 by HK\$86.3 million.

In addition, the net effects arising from the initial application of HKFRS 9 resulted in a decrease in the carrying amounts of interests in associates of HK\$5.4 million with corresponding adjustments debited to accumulated profits and non-controlling interests as at 1st January, 2018 by HK\$3.1 million and HK\$2.3 million respectively.



## 1.2 HKFRS 15 Revenue from Contracts with Customers and related amendments

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations. The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1st January, 2018. Any difference at the date of initial application, if any, is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Apart from the additional disclosures as shown in note 2, the application of HKFRS 15 in the current year has had no material impact on the Group's financial performance and positions for the current and prior years.

As a result of the changes in the accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each individual line item.

	At 31st December, 2017 Audited <i>HK\$ Million</i>	HKFRS 9		At 1st January, 2018 Restated <i>HK\$ Million</i>
		Reclassification <i>HK\$ Million</i>	Remeasurement/ Impairment allowances <i>HK\$ Million</i>	
<b>Non-current assets</b>				
Investment properties	9,537.1	–	–	9,537.1
Property, plant and equipment	1,084.9	–	–	1,084.9
Prepaid land lease payments	4.4	–	–	4.4
Goodwill	2,498.7	–	–	2,498.7
Intangible assets	887.5	–	–	887.5
Interests in associates	13,288.0	–	(5.4)	13,282.6
Interests in joint ventures	3,163.7	–	–	3,163.7
Available-for-sale financial assets	324.0	(324.0)	–	–
Financial assets at fair value through other comprehensive income	–	282.6	–	282.6
Amounts due from associates	275.2	–	–	275.2
Loans and advances to consumer finance customers due after one year	2,322.8	–	90.0	2,412.8
Mortgage loans	1,243.1	–	1.5	1,244.6
Deferred tax assets	649.6	–	28.2	677.8
Financial assets at fair value through profit or loss	5,033.7	41.4	–	5,075.1
Term loans, trade receivables, prepayments and other receivables	505.8	–	–	505.8
	<u>40,818.5</u>	<u>–</u>	<u>114.3</u>	<u>40,932.8</u>

	At 31st December, 2017 Audited HK\$ Million	HKFRS 9		At 1st January, 2018 Restated HK\$ Million
		Reclassification HK\$ Million	Remeasurement/ Impairment allowances HK\$ Million	
<b>Current assets</b>				
Other inventories	0.2	–	–	0.2
Financial assets at fair value through profit or loss	6,199.1	–	–	6,199.1
Prepaid land lease payments	0.1	–	–	0.1
Loans and advances to consumer finance				
customers due within one year	6,840.8	–	(167.5)	6,673.3
Mortgage loans	877.3	–	(1.7)	875.6
Term loans, trade receivables, prepayments and other receivables	3,162.6	–	(1.1)	3,161.5
Amounts due from brokers	725.9	–	–	725.9
Amounts due from associates	228.1	–	–	228.1
Amounts due from joint ventures	9.1	–	–	9.1
Tax recoverable	5.9	–	–	5.9
Short-term pledged bank deposit	1.2	–	–	1.2
Bank deposits	787.7	–	–	787.7
Cash and cash equivalents	2,409.7	–	–	2,409.7
	<u>21,247.7</u>	<u>–</u>	<u>(170.3)</u>	<u>21,077.4</u>
<b>Current liabilities</b>				
Trade payables, other payables and accruals	425.5	–	–	425.5
Financial assets sold under repurchase agreements	1,071.0	–	–	1,071.0
Financial liabilities at fair value through profit or loss	161.1	–	–	161.1
Amount due to a holding company	14.9	–	–	14.9
Amounts due to associates	7.4	–	–	7.4
Amounts due to joint ventures	0.1	–	–	0.1
Tax payable	156.6	–	–	156.6
Bank and other borrowings due within one year	2,784.9	–	–	2,784.9
Notes payable	1,077.0	–	–	1,077.0
Provisions	70.7	–	27.8	98.5
	<u>5,769.2</u>	<u>–</u>	<u>27.8</u>	<u>5,797.0</u>
<b>Net current assets</b>	<u>15,478.5</u>	<u>–</u>	<u>(198.1)</u>	<u>15,280.4</u>
<b>Total assets less current liabilities</b>	<u>56,297.0</u>	<u>–</u>	<u>(83.8)</u>	<u>56,213.2</u>

	At 31st December, 2017 Audited HK\$ Million	HKFRS 9		At 1st January, 2018 Restated HK\$ Million
		Reclassification HK\$ Million	Remeasurement/ Impairment allowances HK\$ Million	
<b>Capital and reserves</b>				
Share capital	4,250.6	–	–	4,250.6
Reserves	30,768.6	–	(22.5)	30,746.1
	<u>35,019.2</u>	<u>–</u>	<u>(22.5)</u>	<u>34,996.7</u>
<b>Equity attributable to owners of the Company</b>				
Shares held for employee ownership scheme	(7.6)	–	–	(7.6)
Employee share-based compensation reserve	5.1	–	–	5.1
Share of net assets of subsidiaries	12,277.6	–	(50.4)	12,227.2
	<u>12,275.1</u>	<u>–</u>	<u>(50.4)</u>	<u>12,224.7</u>
<b>Non-controlling interests</b>				
	<u>47,294.3</u>	<u>–</u>	<u>(72.9)</u>	<u>47,221.4</u>
<b>Non-current liabilities</b>				
Bank and other borrowings due after one year	1,740.4	–	–	1,740.4
Notes payable	6,930.4	–	(10.9)	6,919.5
Deferred tax liabilities	328.6	–	–	328.6
Provisions	3.3	–	–	3.3
	<u>9,002.7</u>	<u>–</u>	<u>(10.9)</u>	<u>8,991.8</u>
	<u>56,297.0</u>	<u>–</u>	<u>(83.8)</u>	<u>56,213.2</u>

## Disclosure in accordance with section 436 of the Hong Kong Companies Ordinance

The financial information relating to the financial years ended 31st December, 2018 and 2017 included in this announcement of annual results does not constitute the Company's statutory annual financial statements for those financial years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31st December, 2017 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31st December, 2018 in due course. The Company's auditor has reported on those financial statements for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

### (2) Revenue

	<b>2018</b> <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
Revenue comprises:		
Contracts with customers		
Hotel operations	<b>70.8</b>	64.0
Management services	<b>248.8</b>	205.2
Service income and others	<b>126.5</b>	120.9
Elderly care services	<b>92.0</b>	79.4
	<b>538.1</b>	469.5
Interest income on loans and advances to consumer finance customers	<b>3,388.5</b>	3,074.8
Interest income received from banks, term loans and others	<b>744.4</b>	590.4
Property rental	<b>233.1</b>	228.8
Dividend income	<b>11.3</b>	10.8
	<b>4,377.3</b>	3,904.8
	<b>4,915.4</b>	4,374.3

Revenue from contracts with customers are included in the segment revenue as follows:

	<b>2018</b>				
	<b>Investment and finance HK\$ Million</b>	<b>Consumer finance HK\$ Million</b>	<b>Property rental, hotel operations and management services HK\$ Million</b>	<b>Others HK\$ Million</b>	<b>Total HK\$ Million</b>
Hotel operations	–	–	70.8	–	70.8
Management services	0.4	–	248.4	–	248.8
Service income and others	97.3	29.2	–	–	126.5
Elderly care services	–	–	–	92.0	92.0
	<u>97.7</u>	<u>29.2</u>	<u>319.2</u>	<u>92.0</u>	<u>538.1</u>
Revenue from contracts with customers					
	<b>2017</b>				
	<b>Investment and finance HK\$ Million</b>	<b>Consumer finance HK\$ Million</b>	<b>Property rental, hotel operations and management services HK\$ Million</b>	<b>Others HK\$ Million</b>	<b>Total HK\$ Million</b>
Hotel operations	–	–	64.0	–	64.0
Management services	0.3	–	204.9	–	205.2
Service income and others	76.4	44.5	–	–	120.9
Elderly care services	–	–	–	79.4	79.4
	<u>76.7</u>	<u>44.5</u>	<u>268.9</u>	<u>79.4</u>	<u>469.5</u>
Revenue from contracts with customers					

(3) **Segmental information**

The operating business organised and managed in each segment represents a strategic business unit that offers different products and services for the purpose of resource allocation and assessment of segment performance by the Executive Directors of the Company.

Analysis of the Group's revenue and results is as follows:

	<b>2018</b>				
	<b>Investment and finance HK\$ Million</b>	<b>Consumer finance HK\$ Million</b>	<b>Property rental, hotel operations and management services HK\$ Million</b>	<b>Others HK\$ Million</b>	<b>Total HK\$ Million</b>
Segment revenue	877.0	3,422.1	544.3	92.6	4,936.0
Less: inter-segment revenue	(5.0)	–	(15.6)	–	(20.6)
Segment revenue from external customers	<u>872.0</u>	<u>3,422.1</u>	<u>528.7</u>	<u>92.6</u>	<u>4,915.4</u>
Segment results	1,097.1	1,207.9	754.4	7.8	3,067.2
Reversal of impairment loss on interests in associates					77.6
Finance costs					(455.8)
Share of results of associates					498.5
Share of results of joint ventures	3.8	–	332.4	–	<u>336.2</u>
Profit before taxation					3,523.7
Taxation					(247.5)
Profit for the year					<u>3,276.2</u>

	2017				
	Investment and finance <i>HK\$ Million</i>	Consumer finance <i>HK\$ Million</i>	Property rental, hotel operations and management services <i>HK\$ Million</i>	Others <i>HK\$ Million</i>	Total <i>HK\$ Million</i>
Segment revenue	701.9	3,122.2	488.8	80.0	4,392.9
Less: inter-segment revenue	(6.3)	–	(12.3)	–	(18.6)
Segment revenue from external customers	<u>695.6</u>	<u>3,122.2</u>	<u>476.5</u>	<u>80.0</u>	<u>4,374.3</u>
Segment results	1,444.3	1,444.7	1,040.7	3.9	3,933.6
Reversal of impairment loss on interest in an associate					107.6
Impairment loss on interest in an associate					(4.1)
Finance costs					(384.3)
Share of results of associates					1,277.3
Share of results of joint ventures	(28.7)	–	688.1	–	<u>659.4</u>
Profit before taxation					5,589.5
Taxation					<u>(322.0)</u>
Profit for the year					<u>5,267.5</u>

The geographical information of revenue is disclosed as follows:

	<b>2018</b> <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
Revenue from external customers by location of operations		
Hong Kong	<b>3,743.5</b>	3,365.4
Mainland China	<b>1,163.1</b>	999.2
Others	<b>8.8</b>	9.7
	<u><b>4,915.4</b></u>	<u>4,374.3</u>

No revenue arising from transactions with a single external customer amounted to 10% or more of the Group's revenue for the year.

**(4) Changes in values of properties**

	<b>2018</b> <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
Changes in values of properties comprise:		
Net increase in fair value of investment properties	<b>757.0</b>	983.1
Impairment loss recognised for hotel property	<b>(0.5)</b>	(0.8)
	<u><b>756.5</b></u>	<u>982.3</u>

The recognition of impairment loss was based on the lower of cost and value in use for hotel property. The value in use was determined based on independent professional valuations at 31st December, 2018.

**(5) Net gain on financial assets and liabilities at fair value through profit or loss**

The following is an analysis of the net gain on financial assets and liabilities at FVTPL:

	<b>2018</b> <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
Net realised and unrealised (loss) gain on financial assets and liabilities		
Held for trading	<b>(224.6)</b>	297.9
Financial assets at FVTPL	<b>460.3</b>	932.0
	<u><b>235.7</b></u>	<u>1,229.9</u>



(6) Net impairment losses on financial instruments/Bad and doubtful debts

	2018 <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Net impairment losses before recoveries	1,025.0	–
Recoveries of amounts previously written off	(195.1)	–
Bad and doubtful debts	–	277.3
	<u>829.9</u>	<u>277.3</u>
Mortgage loans		
Net impairment losses before recoveries	4.5	–
Recoveries of amounts previously written off	(0.7)	–
Bad and doubtful debts	–	3.2
	<u>3.8</u>	<u>3.2</u>
Term loans, trade and other receivables		
Net impairment losses before recoveries	70.3	–
Recoveries of amounts previously written off	(1.4)	–
Bad and doubtful debts	–	106.9
	<u>68.9</u>	<u>106.9</u>
	<u>902.6</u>	<u>387.4</u>

(7) Finance costs

	2018 <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
Total finance costs included in:		
Cost of sales and other direct costs	212.7	158.2
Finance costs	455.8	384.3
	<u>668.5</u>	<u>542.5</u>

(8) Profit before taxation

	2018 <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets – computer software	1.9	1.8
Amortisation of prepaid land lease payments	0.2	0.1
Depreciation	76.7	78.3
Impairment loss on AFS financial assets measured at fair value (included in other operating expenses)	–	176.2
Impairment loss on interest in an associate (included in other operating expenses)	–	4.1
Loss on disposal of joint ventures (included in other operating expenses)	0.5	–
Net loss on disposal/write-off of property, plant and equipment	1.1	1.5
and after crediting:		
Dividend income from listed equity securities	8.9	10.8
Dividend income from unlisted equity securities	2.4	–
Gain on deemed disposal of an associate (included in other income)	17.6	–
Gain on disposal of subsidiaries (included in other income) ***	132.4	–
Gain on disposal of an associate (included in other income) **	36.8	–
Reversal of impairment loss on interests in associates (included in other income) *	77.6	107.6

\* Sun Hung Kai & Co. Limited (“SHK”) disposed of 70% interest in its wholly-owned subsidiary Sun Hung Kai Financial Group Limited (“SHKFGL”) in June 2015 and classified the remaining 30% equity interest as an associate. The recoverable amount was measured at fair value less cost of disposal of SHKFGL. The fair value was measured by discounted cash flow approach at the reporting date using a discount rate of 17.0%. As part of the disposal, the Group was awarded a put right on the 30% equity interest of SHKFGL. This put right recorded a valuation gain during the year of HK\$67.0 million (2017: HK\$1.0 million) classified under net gain on financial assets and liabilities at FVTPL. A reversal of impairment loss on interest in SHKFGL amounting to HK\$66.7 million (2017: HK\$107.6 million) was included in the amount of reversal of impairment loss on interests in associates for the year ended 31st December, 2018.

\*\* The Group disposed of its 38.09% interest in an associate, Tanami Gold NL, to APAC Resources Mining Limited (a wholly-owned subsidiary of APAC Resources Limited, an associate of the Group), on 5th June, 2018 for a consideration of HK\$119.8 million, resulting a gain of HK\$36.8 million recognised in the consolidated statement of profit or loss.

\*\*\* On 1st August, 2018, SHK group disposed of its wholly-owned subsidiary, SWAT Securitisation Fund. The details of SWAT Securitisation Fund at the date of disposal were as follows:

	<i>HK\$ Million</i>
<b>Consideration received:</b>	
Total consideration received	<u>55.0</u>
	<b>1st August, 2018</b>
	<i>HK\$ Million</i>
<b>Analysis of assets and liabilities over which control was lost:</b>	
Net assets disposed of	<u>–</u>
<b>Gain on disposal of a subsidiary:</b>	
Consideration received and receivable	55.0
Net assets disposed of	<u>–</u>
Gain on disposal	<u>55.0</u>
<b>Net cash inflow arising on disposal:</b>	
Cash consideration	<u>55.0</u>

On 17th December, 2018, SHK group disposed of its wholly-owned subsidiary, Maple Shade Limited. The details of Maple Shade Limited at the date of disposal were as follows:

	<i>HK\$ Million</i>
<b>Consideration received:</b>	
Cash received	15.0
Deferred cash consideration <sup>#</sup>	<u>242.9</u>
Consideration received	<u>257.9</u>
	<b>17th December, 2018</b>
	<i>HK\$ Million</i>
<b>Analysis of assets and liabilities over which control was lost:</b>	
Financial assets at FVTPL	<u>180.5</u>
Net assets disposed of	<u>180.5</u>
<b>Gain on disposal of a subsidiary:</b>	
Consideration received and receivable	257.9
Net assets disposed of	<u>(180.5)</u>
Gain on disposal	<u>77.4</u>
<b>Net cash inflow arising on disposal:</b>	
Cash consideration	<u>15.0</u>

<sup>#</sup> The deferred consideration will be settled in cash by the purchaser on or before 30th April, 2019.

(9) **Taxation**

	2018 <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
The income tax charged (credited) comprises:		
Current tax		
Hong Kong	223.8	213.5
People's Republic of China ("PRC") and other jurisdictions	118.3	52.9
	<u>342.1</u>	<u>266.4</u>
(Over) under provision in prior years	(13.7)	22.2
	<u>328.4</u>	288.6
Deferred tax		
Current year	(80.9)	33.4
	<u>247.5</u>	<u>322.0</u>

Hong Kong Profits Tax is calculated at the rate of 16.5% of the estimated assessable profits for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years.

Taxation arising in other jurisdictions is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in the relevant jurisdictions.

(10) **Earnings per share**

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2018 <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
<u>Earnings</u>		
Earnings for the purpose of basic earnings per share (profit attributable to owners of the Company)	2,343.4	3,991.1
Adjustments to profit in respect of impact of contingently issuable shares under the employee ownership scheme of a subsidiary	(0.7)	(0.5)
Earnings for the purpose of diluted earnings per share	<u>2,342.7</u>	<u>3,990.6</u>
	<i>Million shares</i>	<i>Million shares</i>
<u>Number of shares</u>		
Weighted average number of shares in issue for the purpose of basic and diluted earnings per share	<u>6,812.2</u>	<u>6,812.2</u>

**(11) Dividend**

	<b>2018</b> <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
Dividend declared		
Interim dividend (in lieu of a final dividend) of HK8 cents per share declared subsequent to the end of the reporting period (2017: interim dividend (in lieu of a final dividend) of HK8 cents per share)	<u>545.0</u>	<u>545.0</u>
Dividend recognised as distribution during the year		
2017 interim dividend (in lieu of a final dividend) of HK8 cents per share (2017: 2016 interim dividend (in lieu of a final dividend) of HK8 cents per share)	<u>545.0</u>	<u>545.0</u>

The amount of the interim dividend (in lieu of a final dividend) for the year ended 31st December, 2018 has been calculated by reference to 6,812,201,460 shares in issue at 25th March, 2019.

**(12) Loans and advances to consumer finance customers**

	<b>2018</b> <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
Loans and advances to consumer finance customers		
Hong Kong	<b>7,803.4</b>	6,544.2
Mainland China	<b>2,611.9</b>	3,282.7
Less: impairment allowance	<u>(645.6)</u>	<u>(663.3)</u>
	<u><b>9,769.7</b></u>	<u>9,163.6</u>
Analysed for reporting purposes as:		
Non-current assets	<b>2,618.9</b>	2,322.8
Current assets	<u><b>7,150.8</b></u>	<u>6,840.8</u>
	<u><b>9,769.7</b></u>	<u>9,163.6</u>

As at 31st December, 2018, the aging analysis for the loans and advances to consumer finance customers that past due is as follows:

	<b>2018</b> <i>HK\$ Million</i>
Less than 31 days past due	<b>528.6</b>
31 to 60 days	<b>50.4</b>
61 to 90 days	<b>11.9</b>
91 to 180 days	<b>48.2</b>
Over 180 days	<b>109.2</b>
	<hr/> <b>748.3</b> <hr/>

As at 31st December, 2017, the aging analysis for the loans and advances to consumer finance customers that past due but not impaired is as follows:

	2017 <i>HK\$ Million</i>
Less than 31 days past due	538.7
31 to 60 days	100.2
61 to 90 days	52.9
91 to 180 days	117.5
Over 180 days	31.4
	<hr/> 840.7 <hr/>

**(13) Mortgage loans**

	<b>2018</b> <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
Mortgage loans		
Hong Kong	<b>3,863.9</b>	2,125.4
Less: impairment allowance	<b>(9.7)</b>	(5.0)
	<hr/> <b>3,854.2</b> <hr/>	<hr/> 2,120.4 <hr/>
Analysed for reporting purposes as:		
Non-current assets	<b>1,956.8</b>	1,243.1
Current assets	<b>1,897.4</b>	877.3
	<hr/> <b>3,854.2</b> <hr/>	<hr/> 2,120.4 <hr/>

As at 31st December, 2018, the aging analysis for the mortgage loans that past due is as follows:

	<b>2018</b> <i>HK\$ Million</i>
Less than 31 days past due	<b>306.0</b>
31 to 60 days	<b>285.5</b>
61 to 90 days	<b>61.4</b>
91 to 180 days	<b>22.5</b>
Over 180 days	<b>7.5</b>
	<hr/> <b>682.9</b> <hr/>

As at 31st December, 2017, the aging analysis for the mortgage loans that past due but not impaired is as follows:

	2017 <i>HK\$ Million</i>
Less than 31 days past due	218.0
31 to 60 days	6.5
61 to 90 days	4.1
91 to 180 days	8.3
Over 180 days	0.5
	<hr/> 237.4 <hr/>

**(14) Term loans, trade receivables, prepayments and other receivables**

The following is an aged analysis of term loans, trade receivables, prepayments and other receivables based on the date of the invoice/contract note at the reporting date:

	<b>2018</b> <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
Less than 31 days	<b>310.8</b>	27.3
31 to 60 days	<b>16.4</b>	10.6
61 to 90 days	<b>7.6</b>	6.5
91 to 180 days	<b>3.9</b>	1.8
Over 180 days	<b>0.4</b>	0.8
	<hr/> <b>339.1</b> <hr/>	47.0
Term loans, trade and other receivables without aging	<b>4,360.4</b>	3,679.9
Less: impairment allowances	<b>(153.8)</b>	(94.3)
	<hr/> <b>4,545.7</b> <hr/>	3,632.6
Term loans, trade and other receivables at amortised cost	<b>4,545.7</b>	3,632.6
Prepayments	<b>21.4</b>	35.8
	<hr/> <b>4,567.1</b> <hr/>	3,668.4
Analysed for reporting purposes as:		
Non-current assets	<b>79.5</b>	505.8
Current assets	<b>4,487.6</b>	3,162.6
	<hr/> <b>4,567.1</b> <hr/>	3,668.4

**(15) Trade payables, other payables and accruals**

The following is an aged analysis of the trade payables, other payables and accruals based on the date of invoice/contract note at the reporting date:

	<b>2018</b> <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
Less than 31 days/repayable on demand	<b>48.3</b>	51.4
31 to 60 days	<b>11.2</b>	8.8
61 to 90 days	<b>12.9</b>	9.2
91 to 180 days	<b>1.3</b>	–
Over 180 days	<b>0.7</b>	0.1
	<hr/>	<hr/>
	<b>74.4</b>	69.5
Accrued staff costs, other accrued expenses and other payables without aging	<b>272.2</b>	356.0
	<hr/>	<hr/>
	<b>346.6</b>	425.5
	<hr/> <hr/>	<hr/> <hr/>

**(16) Reserves**

	<b>2018</b> <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
Property revaluation reserve	<b>335.7</b>	336.4
Investment revaluation reserve	<b>(15.1)</b>	324.8
Translation reserve	<b>(262.7)</b>	100.3
Capital and other reserves	<b>(1.5)</b>	(8.6)
Accumulated profits	<b>31,885.7</b>	29,470.7
Dividend reserve	<b>545.0</b>	545.0
	<hr/>	<hr/>
	<b>32,487.1</b>	30,768.6
	<hr/> <hr/>	<hr/> <hr/>



## **DIVIDEND**

The Board has declared an interim dividend of HK8 cents per share (in lieu of a final dividend) for the year ended 31st December, 2018 (2017 interim dividend (in lieu of a final dividend): HK8 cents per share) payable on or around Thursday, 2nd May, 2019 to the shareholders of the Company (“Shareholders”) whose names appear on the register of members of the Company on Friday, 12th April, 2019.

## **CLOSURE OF REGISTER OF MEMBERS**

### **(1) For determining the entitlement to the interim dividend**

For determining the entitlement to the interim dividend (in lieu of a final dividend) for the year ended 31st December, 2018, the register of members of the Company will be closed from Wednesday, 10th April, 2019 to Friday, 12th April, 2019 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order for a Shareholder to qualify for the interim dividend (in lieu of a final dividend), all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 9th April, 2019.

### **(2) For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company (“2019 AGM”)**

The 2019 AGM is scheduled to be held on Friday, 24th May, 2019. For determining the entitlement to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Monday, 20th May, 2019 to Friday, 24th May, 2019 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order for a Shareholder to be eligible to attend and vote at the 2019 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 17th May, 2019.

## FINANCIAL HIGHLIGHTS

	<b>2018</b> <i>HK\$ Million</i>	2017 <i>HK\$ Million</i>
Revenue	<b>4,915.4</b>	4,374.3
Profit for the year attributable to owners of the Company	<b>2,343.4</b>	3,991.1
Equity attributable to owners of the Company	<b>36,737.7</b>	35,019.2
Return on equity attributable to owners of the Company	<b>6.4%</b>	11.4%
Earnings per share	<b>HK34.40 cents</b>	HK58.59 cents
	<b>At</b> <b>31st December,</b> <b>2018</b>	At 31st December, 2017
Net asset value per share attributable to owners of the Company	<b>HK\$5.4</b>	HK\$5.1
Gearing ratio	<b>32.1%</b>	26.7%

## FINANCIAL REVIEW

### Financial Results

The revenue of the Group for the year was HK\$4,915.4 million (2017: HK\$4,374.3 million). The increase is mainly due to higher interest income from the consumer finance business and loans business, and higher management and services fees from building services.

The profit attributable to the owners of the Company for the year was HK\$2,343.4 million (2017: HK\$3,991.1 million), a decrease of HK\$1,647.7 million.

The decrease in profit attributable to the owners of the Company was primarily a combination of:–

- lower contributions from associates Tian An China Investments Company Limited (“TACI”) & APAC Resources Limited (“APAC”);
- decreased profit contribution from the consumer finance business and principal investments of Sun Hung Kai & Co. Limited (“SHK”); and
- a lower fair value gain on revaluation of the investment properties.

### *Earnings per share*

Earnings per share amounted to HK34.40 cents (2017: HK58.59 cents).

## **Material Acquisitions and Disposals**

Save as disclosed in this announcement, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the year.

## **Financial Resources, Liquidity and Capital Structure**

The 4.75% US dollar denominated notes (“4.75% Notes”) are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 4.75% Notes after eliminating the intra-group holdings was US\$354.9 million or equivalent to HK\$2,779.0 million (2017: US\$354.9 million or equivalent to HK\$2,774.6 million) at the reporting date.

The 4.65% US dollar denominated notes (“4.65% Notes”) are listed on The Stock Exchange of Hong Kong Limited. The nominal value of the 4.65% Notes after eliminating the intra-group holdings was US\$540.8 million or equivalent to HK\$4,234.7 million (2017: US\$540.8 million or equivalent to HK\$4,228.0 million) at the reporting date.

At the end of the reporting period, the Group’s net borrowings amounted to HK\$11,802.5 million (2017: HK\$9,334.1 million), representing bank and other borrowings and notes/papers payable totalling HK\$17,207.6 million (2017: HK\$12,532.7 million) less bank deposits, bank balances and cash of HK\$5,405.1 million (2017: HK\$3,198.6 million) and the Group had equity attributable to owners of the Company of HK\$36,737.7 million (2017: HK\$35,019.2 million). Accordingly, the Group’s gearing ratio of net borrowings to equity attributable to owners of the Company was 32.1% (2017: 26.7%). At the end of the reporting period, the current ratio (current assets/current liabilities) of the Group was 2.3 times, which decreased from the 3.7 times applicable at the end of the preceding year.

	<b>2018</b>	2017
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Bank loans are repayable as follows:		
On demand or within one year	<b>3,767.0</b>	1,752.9
More than one year but not exceeding two years	<b>1,899.7</b>	1,395.8
More than two years but not exceeding five years	–	309.6
Bank loans with a repayment on demand clause are repayable as follows:		
Within one year	<b>3,300.8</b>	1,018.0
More than one year but not exceeding two years	<b>56.0</b>	14.0
More than two years but not exceeding five years	<b>446.0</b>	–
	<u><b>9,469.5</b></u>	<u>4,490.3</u>
Other borrowings are repayable over five years	<u><b>62.1</b></u>	<u>35.0</u>
Renminbi denominated notes are repayable within one year	–	536.5
US dollar denominated notes are repayable as follows:		
Within one year	<b>113.3</b>	92.3
More than one year but not exceeding five years	<b>6,926.5</b>	6,930.4
HK dollar denominated notes/papers are repayable within one year	<u><b>636.2</b></u>	<u>448.2</u>
	<u><b>7,676.0</b></u>	<u>8,007.4</u>
	<u><b>17,207.6</b></u>	<u>12,532.7</u>

The banking facilities of the Group are reviewed from time to time and new banking facilities will be obtained or renewed to meet the funding requirements for capital commitments, investments and operations of the Group.

Other than the Renminbi denominated notes, US dollar denominated notes and HK dollar denominated notes/papers, most of the bank and other borrowings of the Group are charged at floating interest rates. There are no known seasonal factors in the Group's borrowing profile.

## Segment Information

Detailed segmental information in respect of the revenue and profit or loss is shown in note 3 to the consolidated financial information.

## Risk of Foreign Exchange Fluctuation

The Group is required to maintain foreign currency exposure to cater for its recurring operating activities and present and potential investment activities, meaning it will be subject to reasonable exchange rate exposure. However, the Group will closely monitor this risk exposure as required.

## Contingent Liabilities

At the end of the reporting period, the Group had guarantees as follows:

	<b>2018</b>	2017
	<i>HK\$ Million</i>	<i>HK\$ Million</i>
Indemnities on banking facility made available to joint venture	<b>107.0</b>	112.7

## Pledge of Assets

At the end of the reporting period, certain of the Group's investment properties and land and buildings with an aggregate carrying value of HK\$8,896.5 million (2017: HK\$7,766.9 million), bank deposits and bank balances of HK\$20.0 million (2017: Nil) together with certain securities in respect of a listed subsidiary with investment cost of HK\$276.6 million (2017: HK\$276.6 million) were pledged to secure loans and general banking facilities to the extent of HK\$3,735.7 million (2017: HK\$2,251.5 million) granted to the Group. Facilities amounting to HK\$3,137.3 million (2017: HK\$990.0 million) were utilised at the end of the reporting period.

At the end of the reporting period, a bank deposit of HK\$nil (2017: HK\$1.2 million) was pledged to secure a guarantee issued to third parties by a bank in favour of a subsidiary to the extent of HK\$nil (2017: HK\$1.2 million).

## OPERATIONAL REVIEW

### Properties

#### *Hong Kong*

- The Group's rental income from its Hong Kong property portfolio increased slightly across most of its portfolio when compared to 2017.
- In 2018, the net gain in the value of the Group's property portfolio, including investment properties owned by SHK, was HK\$756.5 million, lower than that of 2017 by HK\$225.8 million.
- The hotel division continued to report increases in average room rates and occupancies, resulting in an increased contribution.
- Allied Kajima Limited, the Group's 50% joint venture holding various properties including Allied Kajima Building, Novotel Century Hong Kong hotel, Sofitel Philippine Plaza Hotel and the Wanchai Jaffe Road hotel redevelopment, recorded a profit decrease of 52% mainly due to a lower fair value increase in its property portfolio during the year. Foundation work on the Jaffe Road hotel site was completed and superstructure work is in progress.

#### *Mainland PRC*

- The profit attributable to the owners of TACI was HK\$1,251.2 million (2017: HK\$2,054.1 million).
- The decrease in profit of TACI was mainly due to the absence of a one-off gain of HK\$1,634.0 million on the disposal of a subsidiary which was recorded in 2017. Although there was no one-off gain from such disposal, TACI booked substantial sales and contributions from its ongoing development projects.
- Rental income was up by 9% as compared with 2017, due to additional investment properties coming on stream.
- TACI has a total of 15 cyberparks over 12 cities. The overall contribution of TACI's cyberpark unit increased during the year. The cyberparks on the Pearl River Delta have been contributing most and TACI will concentrate on developing new cyberparks and urban renewal projects in this region where it has ample manpower and marketing resources.
- Phase 2 of TACI's urban renewal project, Tian An Cloud Park, in Huawei New City Area in the Longgang District of Shenzhen is under construction and is expected to be completed in 2019.
- Asiasec Properties Limited, the listed subsidiary of TACI, reported a profit attributable to its shareholders of HK\$112.7 million (2017: HK\$169.2 million).

## **Financial Services**

### *Investment and Finance*

- The profit attributable to owners of SHK was HK\$1,183.8 million (2017: HK\$1,824.3 million).
- SHK's principal investments division which included the structured finance business provided a pre-tax contribution of HK\$360.6 million (2017: HK\$1,082.3 million) to its earnings. This division's investments portfolio was affected by mark-to-market losses in the second half of 2018.
- Sun Hung Kai Credit Limited recorded a profit attributable to its owner of HK\$95.2 million for the year (2017: HK\$29.4 million). Its loan portfolio reached HK\$3.9 billion at the end of 2018 from HK\$2.1 billion at end of 2017.

### *Consumer Finance*

- Profit attributable to owners of United Asia Finance Limited ("UAF") for the year amounted to HK\$1,000.4 million (2017: HK\$1,162.6 million), a decrease of HK\$162.2 million.
- During the year, UAF adopted a conservative lending policy in the mainland China in view of a weak credit environment. UAF focused its efforts on building a leaner, more efficient business model by introducing a new automated credit scoring system, continuation of development of online platforms and streamlining of its physical branches in mainland China.
- For UAF's business in Hong Kong, it achieved satisfactory growth and the gross loan book increased by 19% on a year-on-year basis and continued to deliver solid profitability.
- At the end of the year, the consolidated consumer finance gross loan balance amounted to HK\$10.4 billion, representing an increase of 6% from the end of 2017. As at the end of 2018, UAF had 46 branches operating in 15 mainland China cities and 49 branches in Hong Kong.

## **Investments**

- At end of 2018, the Group held approximately 35.78% interest in APAC. The Group's share of the results of APAC for 2018 amounted to a loss of HK\$132.9 million (2017: profit of HK\$207.5 million). The loss reported at APAC was mainly due to unrealised losses from fair value changes of its financial investments.

## **Employees**

The total number of headcount of the Group as at 31st December, 2018 was 4,262 (2017: 5,005). The net decrease in headcount is mainly the result of the branch consolidation of UAF in mainland China, as the business migrated further online. Total staff costs, including Directors' emoluments, amounted to HK\$988.3 million (2017: HK\$960.9 million). The Group reviews remuneration packages from time to time. In addition to salary payments, other staff benefits include contributions to employee provident funds, medical subsidies and a discretionary bonus scheme. The Group recognises the importance of continuing professional education and development, and appropriate courses are arranged on a periodical basis as well as subsidies are granted to employees who take job-related courses.

## **LONG TERM CORPORATE STRATEGIES**

The Group is engaged in its businesses of investment, structured finance, consumer finance, property and related businesses, elderly care services and other investments. The Group's policy has been to adopt the following long term strategies:–

1. To maintain the organic growth of its core businesses;
2. To maintain a balance between the demands of short term returns and long term capital appreciation; and
3. To seek investment opportunities that assist in strengthening and broadening its earnings base.

## **BUSINESS OUTLOOK**

While significant risk factors such as geopolitical issues and the uncertainties surrounding Brexit still remain, the ongoing development of the current trade war between USA and China is difficult to forecast. These factors will continue to exert pressures upon the global and local economies and investor sentiment.

For the consumer finance business, it is sensitive to economic conditions such as consumption and unemployment. UAF will remain alert to factors which may affect these conditions and make corresponding adjustments to its strategy while looking for any opportunities arising.

The local property market experienced a cool down over the past several months, which resulted from the uncertainties arising from the US-China trade war and the slight upward adjustment of mortgage interest rates. We expect the local property market to remain stable in 2019.



For the mainland property market, there have been ongoing various measures by the authorities to regulate the high housing demand. However, China's central bank's decision to cut the banks' reserve requirement ratio in January 2019 to simulate the economy may signal a softening stance. We remain confident of the long term prospects of the property market in China.

With the Group's solid financial position and diversified income streams, the Board will continue to adopt a prudent approach in implementing the Group's stated strategies for the benefit of the Group and all its shareholders in the challenging year of 2019.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

During the year ended 31st December, 2018, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviations which are summarised below:

### **Code Provisions B.1.2 and C.3.3**

Code provisions B.1.2 and C.3.3 of the CG Code stipulate that the terms of reference of the remuneration committee and audit committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the remuneration committee ("Remuneration Committee") adopted by the Company are in compliance with the code provision B.1.2 of the CG Code except that the Remuneration Committee shall make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to executive directors and senior management under the code provision).

The terms of reference of the audit committee ("Audit Committee") adopted by the Company are in compliance with the code provision C.3.3 of the CG Code except that the Audit Committee (i) shall recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services; (ii) only possesses the effective ability to scrutinise (as opposed to ensure under the code provision) whether management has performed its duty to have effective risk management and internal control systems; and (iii) can promote (as opposed to ensure under the code provision) the co-ordination between the internal and external auditors, and check (as opposed to ensure under the code provision) whether the internal audit function is adequately resourced.

The reasons for the above deviations are set out in the Corporate Governance Report to be contained in the Company's Annual Report for the financial year ended 31st December, 2018 ("2018 Annual Report"). The Board has reviewed the terms during the year under review and considers that the Remuneration Committee and the Audit Committee should continue to operate according to the relevant terms of reference as adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2018 Annual Report which will be sent to the Shareholders by the end of April 2019.

## **AUDIT COMMITTEE REVIEW**

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31st December, 2018.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the year ended 31st December, 2018.

## **APPRECIATION**

The Board would like to thank all the staff for their effort and contribution in 2018, and would like to express appreciation to the Shareholders for their continued support.

On behalf of the Board  
**Allied Properties (H.K.) Limited**  
**Arthur George Dew**  
*Chairman*

Hong Kong, 25th March, 2019

*As at the date of this announcement, the Board comprises Messrs. Lee Seng Hui (Chief Executive) and Mark Wong Tai Chun being the Executive Directors; Messrs. Arthur George Dew (Chairman) and Li Chi Kong being the Non-Executive Directors; and Messrs. Steven Samuel Zoellner, Alan Stephen Jones and David Craig Bartlett being the Independent Non-Executive Directors.*