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)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2019

The board of directors ("Board") of Allied Properties (H.K.) Limited ("Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries ("Group") for the six months ended 30th June, 2019 with the comparative figures for the corresponding period in 2018 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30th June, 2019

		Six months ended 30th June,	
		2019	2018
		Unaudited	Unaudited
	Notes	***HK$ Million***	*HK$ Million*
Revenue	*4*		
Interest income		**2,111.2**	2,036.3
Other revenue		**395.0**	332.8
		2,506.2	2,369.1
Other income		**20.9**	142.8
Total income		**2,527.1**	2,511.9
Cost of sales and other direct costs		**(281.8)**	(215.6)
Brokerage and commission expenses		**(22.5)**	(25.3)
Selling and marketing expenses		**(70.5)**	(67.9)
Administrative expenses		**(672.9)**	(726.1)
Changes in values of properties	*5*	**178.6**	646.2
Net gain on financial assets and liabilities at fair value through profit or loss		**783.7**	636.7
Net exchange gain (loss)		**27.2**	(38.5)
Net impairment losses on financial instruments	*6*	**(469.4)**	(443.0)
Other operating expenses		**(56.4)**	(57.7)
Finance costs	*7*	**(247.8)**	(214.1)
Share of results of associates		**516.8**	391.5
Share of results of joint ventures		**75.4**	278.3
Profit before taxation	*8*	**2,287.5**	2,676.4
Taxation	*9*	**(147.8)**	(124.7)
Profit for the period		**2,139.7**	2,551.7

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Cont'd)
for the six months ended 30th June, 2019

	Notes	Six months ended 30th June, 2019 Unaudited *HK$ Million*	2018 Unaudited *HK$ Million*
Attributable to:			
Owners of the Company		**1,513.0**	1,885.2
Non-controlling interests		**626.7**	666.5
		2,139.7	2,551.7
		HK cents	*HK cents*
Earnings per share	*10*		
Basic		**22.21**	27.67
Diluted		**22.19**	27.67

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30th June, 2019

	Six months ended 30th June,	
	2019	2018
	Unaudited	Unaudited
	HK$ Million	*HK$ Million*
Profit for the period	**2,139.7**	2,551.7
Other comprehensive income (expenses):		
Items that will not be reclassified to profit or loss:		
Fair value gain (loss) on investments in equity instruments at fair value through other comprehensive income	**67.3**	(37.7)
Share of other comprehensive expenses of associates	**(111.8)**	(132.5)
Share of other comprehensive (expenses) income of joint ventures	**(1.8)**	1.7
	(46.3)	(168.5)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**0.8**	(112.4)
Reclassification adjustment to profit or loss on disposal of an associate	**–**	(7.6)
Share of other comprehensive expenses of associates	**(4.0)**	(50.8)
Share of other comprehensive income (expenses) of joint ventures	**2.0**	(6.7)
	(1.2)	(177.5)
Other comprehensive expenses for the period, net of tax	**(47.5)**	(346.0)
Total comprehensive income for the period	**2,092.2**	2,205.7
Attributable to:		
Owners of the Company	**1,446.8**	1,637.0
Non-controlling interests	**645.4**	568.7
	2,092.2	2,205.7

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30th June, 2019

	Notes	At 30th June, 2019 Unaudited HK$ Million	At 31st December, 2018 Audited HK$ Million
Non-current assets			
Investment properties		**10,487.6**	10,291.6
Property, plant and equipment		**1,058.0**	1,051.9
Right-of-use assets		**205.9**	–
Net investments in finance lease		**2.7**	–
Prepaid land lease payments		**–**	4.0
Goodwill		**2,498.7**	2,498.7
Intangible assets		**894.2**	895.1
Interests in associates		**13,575.8**	13,257.8
Interests in joint ventures		**3,530.7**	3,455.0
Financial assets at fair value through other comprehensive income		**247.4**	206.5
Amounts due from associates		**265.1**	266.7
Loans and advances to consumer finance customers due after one year	*12*	**2,750.7**	2,618.9
Mortgage loans	*13*	**1,745.1**	1,956.8
Deferred tax assets		**769.4**	730.3
Financial assets at fair value through profit or loss		**6,810.8**	6,360.9
Term loans	*14*	**200.6**	56.6
Trade receivables, prepayments and other receivables	*15*	**26.4**	22.9
		45,069.1	43,673.7
Current assets			
Other inventories		**0.2**	0.3
Financial assets at fair value through profit or loss		**3,603.7**	4,378.6
Prepaid land lease payments		**–**	0.1
Loans and advances to consumer finance customers due within one year	*12*	**7,317.4**	7,150.8
Mortgage loans	*13*	**1,848.4**	1,897.4
Term loans	*14*	**3,612.5**	4,039.8
Trade receivables, prepayments and other receivables	*15*	**398.3**	447.8
Amounts due from brokers		**668.1**	507.1
Amounts due from associates		**187.1**	266.3
Amounts due from joint ventures		**2.1**	9.8
Tax recoverable		**5.4**	6.1
Short-term pledged bank deposits and bank balances		**33.1**	20.0
Bank deposits		**271.3**	353.5
Cash and cash equivalents		**5,296.1**	5,031.6
		23,243.7	24,109.2

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

at 30th June, 2019

	Notes	At 30th June, 2019 Unaudited HK$ Million	At 31st December, 2018 Audited HK$ Million
Current liabilities			
Trade payables, other payables and accruals	*16*	**460.6**	346.6
Financial assets sold under repurchase agreements		**426.3**	1,216.5
Financial liabilities at fair value through profit or loss		**384.9**	425.3
Amount due to a holding company		**41.2**	27.8
Amounts due to associates		**7.5**	7.4
Amounts due to joint ventures		**40.1**	40.1
Tax payable		**238.9**	188.6
Bank and other borrowings due within one year		**7,635.1**	7,569.8
Notes/paper payable		**831.2**	749.5
Lease liabilities		**105.3**	–
Provisions		**126.0**	105.1
		10,297.1	10,676.7
Net current assets		**12,946.6**	13,432.5
Total assets less current liabilities		**58,015.7**	57,106.2
Capital and reserves			
Share capital		**4,250.6**	4,250.6
Reserves		**33,355.8**	32,487.1
Equity attributable to owners of the Company		**37,606.4**	36,737.7
Shares held for employee ownership scheme		**(26.8)**	(29.7)
Employee share-based compensation reserve		**8.0**	10.5
Share of net assets of subsidiaries		**10,597.5**	11,162.3
Non-controlling interests		**10,578.7**	11,143.1
Total equity		**48,185.1**	47,880.8
Non-current liabilities			
Bank and other borrowings due after one year		**2,490.0**	1,961.8
Notes/paper payable		**6,911.4**	6,926.5
Lease liabilities		**94.1**	–
Deferred tax liabilities		**329.7**	332.2
Provisions		**5.4**	4.9
		9,830.6	9,225.4
		58,015.7	57,106.2

Notes:

1. **DISCLOSURE IN ACCORDANCE WITH SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE**

The financial information relating to the financial year ended 31st December, 2018 included in this announcement of interim results does not constitute the Company's statutory annual financial statements for that financial year 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 is as follows:

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

2. **BASIS OF PREPARATION**

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Except as described in note 3, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December, 2018, as described in those annual financial statements.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair value.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30th June, 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1st January, 2019 for the preparation of the Group's unaudited condensed consolidated financial statements:

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

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

<u>Allocation of consideration to components of a contract</u>

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of its office properties, outlets and signboards that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use) and are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs incurred by the Group; and

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;

- variable lease payments that depend on an index or a rate;

- amounts expected to be paid under residual value guarantees;

- the exercise price of a purchase option reasonably certain to be exercised by the Group; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

As a lessor

Allocation of consideration to components of a contract

Effective on 1st January, 2019, the Group applies HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected to apply a practical expedient as set out in HKFRS 16 to contracts that were previously identified as leases according to HKAS 17 or HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease. As a result, the Group will not apply these standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1st January, 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1st January, 2019. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated. The Group has measured (i) the lease liability at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application and; (ii) the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position immediately before the date of initial application.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.3%.

	At 1st January, 2019 *HK$ Million*
Operating lease commitments disclosed as at 31st December, 2018	225.6
Less:	
Recognition exemption – short-term leases	(50.4)
Discounting effects using relevant incremental borrowing rates	(6.7)
Add:	
Adjustment on renewable option	26.0
Lease liabilities as at 1st January, 2019	194.5
Analysed as:	
Current liabilities	89.2
Non-current liabilities	105.3
	194.5

The carrying amount of right-of-use assets as at 1st January, 2019 comprises the following:

	Notes	**Right-of-use assets** *HK$ Million*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		194.5
Reclassified from prepaid land lease payments	*(a)*	4.1
Reclassified from rental prepayments	*(b)*	7.7
Amounts included in property, plant and equipment under HKAS 17		
– Restoration and reinstatement costs	*(c)*	1.4
		207.7
By class:		
Leasehold lands		4.1
Land and buildings		203.6
		207.7

Notes:

(a) Upfront payments for leasehold lands in the People's Republic of China ("PRC") were classified as prepaid land lease payments as at 31st December, 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid land lease payments amounting to HK$0.1 million and HK$4.0 million respectively were reclassified to right-of-use assets.

(b) Rental prepayments previously included in prepayment, deposits and other receivables amounting to HK$7.7 million was reclassified to right-of-use assets as at 1st January, 2019.

(c) In relation to the leases of office properties that the Group acts as lessee, the carrying amount of the estimated costs of reinstating the rented premises previously included in property, plant and equipment amounting to HK$1.4 million as at 1st January, 2019 were included as right-of-use assets.

4. SEGMENTAL INFORMATION

Analysis of the Group's revenue and results by reportable and operating segments is as follows:

	Six months ended 30th June, 2019				
	Investment and finance *HK$ Million*	**Consumer finance** *HK$ Million*	**Property rental, hotel operations and management services** *HK$ Million*	**Others** *HK$ Million*	**Total** *HK$ Million*
Segment revenue	**504.0**	**1,694.8**	**266.3**	**51.0**	**2,516.1**
Less: inter-segment revenue	**(2.2)**	**–**	**(7.7)**	**–**	**(9.9)**
Segment revenue from external customers	**501.8**	**1,694.8**	**258.6**	**51.0**	**2,506.2**
Segment results	**1,031.1**	**652.2**	**253.8**	**5.7**	**1,942.8**
Reversal of impairment loss on interest in an associate					**0.3**
Finance costs					**(247.8)**
Share of results of associates					**516.8**
Share of results of joint ventures	**–**	**–**	**75.4**	**–**	**75.4**
Profit before taxation					**2,287.5**
Taxation					**(147.8)**
Profit for the period					**2,139.7**

	Six months ended 30th June, 2018				
	Investment and finance *HK$ Million*	Consumer finance *HK$ Million*	Property rental, hotel operations and management services *HK$ Million*	Others *HK$ Million*	Total *HK$ Million*
Segment revenue	336.9	1,737.7	259.7	44.1	2,378.4
Less: inter-segment revenue	(2.0)	–	(7.3)	–	(9.3)
Segment revenue from external customers	334.9	1,737.7	252.4	44.1	2,369.1
Segment results	903.6	609.2	615.6	3.3	2,131.7
Reversal of impairment loss on interests in associates					89.0
Finance costs					(214.1)
Share of results of associates					391.5
Share of results of joint ventures	3.1	–	275.2	–	278.3
Profit before taxation					2,676.4
Taxation					(124.7)
Profit for the period					2,551.7

Inter-segment transactions have been entered into on terms agreed by the parties concerned.

(A) The geographical information of revenue is disclosed as follows:

	Six months ended 30th June, 2019 HK$ Million	2018 HK$ Million
Revenue from external customers by location of operations		
Hong Kong	**2,072.0**	1,727.0
Mainland China	**432.8**	637.6
Others	**1.4**	4.5
	2,506.2	2,369.1

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

	Six months ended 30th June, 2019				
	Investment and finance *HK$ Million*	**Consumer finance** *HK$ Million*	**Property rental, hotel operations and management services** *HK$ Million*	**Others** *HK$ Million*	**Total** *HK$ Million*
Hotel operations	**–**	**–**	**32.9**	**–**	**32.9**
Management services	**0.2**	**–**	**122.2**	**–**	**122.4**
Service income and others	**52.0**	**10.3**	**–**	**–**	**62.3**
Elderly care services	**–**	**–**	**–**	**50.9**	**50.9**
Revenue from contracts with customers	**52.2**	**10.3**	**155.1**	**50.9**	**268.5**

	Six months ended 30th June, 2018				
	Investment and finance *HK$ Million*	Consumer finance *HK$ Million*	Property rental, hotel operations and management services *HK$ Million*	Others *HK$ Million*	Total *HK$ Million*
Hotel operations	–	–	31.6	–	31.6
Management services	0.2	–	116.8	–	117.0
Service income and others	5.0	15.9	–	–	20.9
Elderly care services	–	–	–	43.8	43.8
Revenue from contracts with customers	5.2	15.9	148.4	43.8	213.3

5. CHANGES IN VALUES OF PROPERTIES

	Six months ended 30th June, 2019 HK$ Million	2018 HK$ Million
Changes in values of properties comprise:		
Net increase in fair value of investment properties	**180.9**	647.2
Impairment loss recognised for hotel property	**(2.3)**	(1.0)
	178.6	646.2

6. NET IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	Six months ended 30th June, 2019 HK$ Million	2018 HK$ Million
Loans and advances to consumer finance customers		
Net impairment losses	**(470.6)**	(545.3)
Recoveries of amounts previously written off	**97.3**	96.7
	(373.3)	(448.6)
Mortgage loans		
Net impairment (losses) gains	**(0.1)**	1.4
Recoveries of amounts previously written off	**–**	0.7
	(0.1)	2.1
Term loans		
Net impairment (losses) gains	**(53.6)**	6.9
Trade and other receivables		
Net impairment losses	**(42.6)**	(4.2)
Recoveries of amounts previously written off	**0.2**	0.8
	(42.4)	(3.4)
	(469.4)	(443.0)

7. FINANCE COSTS

	Six months ended 30th June, 2019 HK$ Million	2018 HK$ Million
Total finance costs included in:		
Cost of sales and other direct costs	**139.3**	81.3
Finance costs	**247.8**	214.1
	387.1	295.4

8. PROFIT BEFORE TAXATION

	Six months ended 30th June, 2019 HK$ Million	2018 HK$ Million
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets – computer software	**1.0**	1.0
Amortisation of prepaid land lease payments	**–**	0.1
Depreciation of property, plant and equipment	**36.1**	38.7
Depreciation of right-of-use assets	**48.5**	–
Interest expense of lease liabilities	**3.8**	–
Loss on disposal of a joint venture (included in other operating expenses)	**–**	0.4
Net loss on disposal/write-off of property, plant and equipment	**0.4**	0.4
and after crediting:		
Dividend income from listed equity securities	**8.7**	2.4
Dividend income from unlisted equity securities	**2.2**	2.3
Gain on disposal of an associate (included in other income)	**–**	36.8
Gain on disposal of an investment property (included in other income)	**1.6**	–
Reversal of impairment loss on interests in associates (included in other income) *	**0.3**	89.0

* Sun Hung Kai & Co. Limited 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 16.4%. 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 period of HK$51.0 million (2018: loss of HK$15.0 million) classified under net gain on financial assets and liabilities at fair value through profit or loss. A reversal of impairment loss on interest in SHKFGL amounting to HK$0.3 million (2018: HK$82.4 million) was included in the amount of reversal of impairment loss on interests in associates for the period ended 30th June, 2019.

9. TAXATION

	Six months ended 30th June,	
	2019	2018
	HK$ Million	*HK$ Million*
The income tax charged (credited) comprises:		
Current tax		
Hong Kong	**135.5**	99.6
PRC and other jurisdictions	**53.4**	73.6
	188.9	173.2
Deferred tax	**(41.1)**	(48.5)
	147.8	124.7

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

PRC subsidiaries are subject to PRC Enterprise Income Tax at the rate of 25% (2018: 25%).

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

Deferred tax recognised in other comprehensive income was immaterial in both periods presented.

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:

	Six months ended 30th June,	
	2019	2018
	HK$ Million	*HK$ Million*
Earnings		
Earnings for the purpose of basic earnings per share (profit attributable to owners of the Company)	**1,513.0**	1,885.2
Adjustments to profit in respect of impact of contingently issuable shares under the employee ownership scheme of a subsidiary	**(1.3)**	(0.3)
Earnings for the purpose of diluted earnings per share	**1,511.7**	1,884.9
	Million shares	*Million shares*
Number of shares		
Weighted average number of shares in issue for the purpose of basic and diluted earnings per share	**6,812.2**	6,812.2

11. DIVIDENDS

The Board does not recommend the declaration of an interim dividend for the six months ended 30th June, 2019 (2018: Nil).

	Six months ended 30th June, 2019	2018
	HK$ Million	*HK$ Million*
Dividends recognised as distribution during the period:		
2018 interim dividend (in lieu of a final dividend) of HK8 cents per share (2018: 2017 interim dividend (in lieu of a final dividend) of HK8 cents per share)	**545.0**	545.0

12. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	At 30th June, 2019	At 31st December, 2018
	HK$ Million	*HK$ Million*
Loans and advances to consumer finance customers		
Hong Kong	**8,328.8**	7,803.4
Mainland China	**2,376.5**	2,611.9
Less: impairment allowance	**(637.2)**	(645.6)
	10,068.1	9,769.7
Analysed for reporting purposes as:		
Non-current assets	**2,750.7**	2,618.9
Current assets	**7,317.4**	7,150.8
	10,068.1	9,769.7

The following is an aged analysis for the loans and advances to consumer finance customers that are past due at the reporting date:

	At 30th June, 2019 *HK$ Million*	At 31st December, 2018 *HK$ Million*
Less than 31 days past due	**426.0**	528.6
31 to 60 days	**56.3**	50.4
61 to 90 days	**335.1**	11.9
91 to 180 days	**93.3**	48.2
Over 180 days	**65.5**	109.2
	976.2	748.3

13. MORTGAGE LOANS

	At 30th June, 2019 *HK$ Million*	At 31st December, 2018 *HK$ Million*
Mortgage loans		
Hong Kong	**3,603.3**	3,863.9
Less: impairment allowance	**(9.8)**	(9.7)
	3,593.5	3,854.2
Analysed for reporting purposes as:		
Non-current assets	**1,745.1**	1,956.8
Current assets	**1,848.4**	1,897.4
	3,593.5	3,854.2

The following is an aged analysis for the mortgage loans that are past due at the reporting date:

	At 30th June, 2019 *HK$ Million*	At 31st December, 2018 *HK$ Million*
Less than 31 days past due	**159.2**	306.0
31 to 60 days	**222.2**	285.5
61 to 90 days	**165.4**	61.4
91 to 180 days	**8.7**	22.5
Over 180 days	**159.6**	7.5
	715.1	682.9

14. TERM LOANS

	At 30th June, 2019 *HK$ Million*	At 31st December, 2018 *HK$ Million*
Secured term loans	**3,244.3**	2,679.0
Unsecured term loans	**775.7**	1,570.7
	4,020.0	4,249.7
Less: impairment allowance	**(206.9)**	(153.3)
	3,813.1	4,096.4
Analysed for reporting purposes as:		
Non-current assets	**200.6**	56.6
Current assets	**3,612.5**	4,039.8
	3,813.1	4,096.4

The following is an aged analysis for the term loans that are past due at the reporting date:

	At 30th June, 2019 *HK$ Million*	At 31st December, 2018 *HK$ Million*
91 to 180 days	**150.2**	–

15. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

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

	At 30th June, 2019 *HK$ Million*	At 31st December, 2018 *HK$ Million*
Less than 31 days	**85.6**	310.8
31 to 60 days	**13.5**	16.4
61 to 90 days	**9.3**	7.6
91 to 180 days	**5.8**	3.9
Over 180 days	**1.9**	0.4
	116.1	339.1
Trade and other receivables without aging	**337.5**	110.7
Less: impairment allowances	**(43.1)**	(0.5)
Trade and other receivables at amortised cost	**410.5**	449.3
Prepayments	**14.2**	21.4
	424.7	470.7
Analysed for reporting purposes as:		
Non-current assets	**26.4**	22.9
Current assets	**398.3**	447.8
	424.7	470.7

16. 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:

	At 30th June, 2019 *HK$ Million*	At 31st December, 2018 *HK$ Million*
Less than 31 days	**41.0**	48.3
31 to 60 days	**7.1**	11.2
61 to 90 days	**6.5**	12.9
91 to 180 days	**0.6**	1.3
Over 180 days	**1.2**	0.7
	56.4	74.4
Accrued staff costs, other accrued expenses and other payables without aging	**404.2**	272.2
	460.6	346.6

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2019 (2018: Nil).

FINANCIAL HIGHLIGHTS

	Six months ended 30th June,	
	2019	2018
	HK$ Million	*HK$ Million*
Revenue	**2,506.2**	2,369.1
Profit for the period attributable to owners of the Company	**1,513.0**	1,885.2
Equity attributable to owners of the Company at the end of the reporting period	**37,606.4**	36,088.7
Return on equity attributable to owners of the Company	**4.0%**	5.2%
	HK cents	*HK cents*
Earnings per share		
– Basic	**22.21**	27.67
– Diluted	**22.19**	27.67
	At 30th June, 2019	At 31st December, 2018
Net asset value per share attributable to owners of the Company	**HK$5.5**	HK$5.4
Gearing ratio	**32.6%**	32.1%

FINANCIAL REVIEW

Financial Results

The revenue of the Group for the period was HK$2,506.2 million (2018: HK$2,369.1 million). The increase is mainly due to higher interest income arising from loan business.

The profit attributable to the owners of the Company for the period was HK$1,513.0 million (2018: HK$1,885.2 million), a decrease of HK$372.2 million, or 19.7%.

The decrease in profit attributable to the owners of the Company was primarily a mixed result of:

– a lower fair value gain on revaluation of investment properties of the Group; and

– improved result of consumer finance business.

Earnings per share

Basic earnings per share amounted to HK22.21 cents (2018: HK27.67 cents).

Financial Resources, Liquidity and Capital Structure

The Group is principally financed by cash inflow from operating activities and banking facilities granted by the banks. 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.

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$2,772.9 million (at 31st December, 2018: US$354.9 million or equivalent to HK$2,779.0 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$4,225.5 million (at 31st December, 2018: US$540.8 million or equivalent to HK$4,234.7 million) at the reporting date.

At 30th June, 2019, the Group's net borrowings amounted to HK$12,267.2 million (at 31st December, 2018: HK$11,802.5 million), representing bank and other borrowings and notes/paper payable totalling HK$17,867.7 million (at 31st December, 2018: HK$17,207.6 million) less bank deposits, bank balances and cash of HK$5,600.5 million (at 31st December, 2018: HK$5,405.1 million) and the Group had equity attributable to owners of the Company of HK$37,606.4 million (at 31st December, 2018: HK$36,737.7 million). Accordingly, the Group's gearing ratio of net borrowings to equity attributable to owners of the Company was 32.6% (at 31st December, 2018: 32.1%).

	At 30th June, 2019 HK$ Million	At 31st December, 2018 HK$ Million
Bank loans are repayable as follows:		
On demand or within one year	**5,024.8**	3,767.0
More than one year but not exceeding two years	**2,427.9**	1,899.7
Bank loans with a repayment on demand clause are repayable as follows:		
Within one year	**2,136.3**	3,300.8
More than one year but not exceeding two years	**474.0**	56.0
More than two years but not exceeding five years	**–**	446.0
	10,063.0	9,469.5
Other borrowings are repayable over five years	**62.1**	62.1
US dollar denominated notes are repayable as follows:		
Within one year	**120.4**	113.3
More than one year but not exceeding five years	**6,911.4**	6,926.5
HK dollar denominated notes/paper are repayable within one year	**710.8**	636.2
	7,742.6	7,676.0
	17,867.7	17,207.6

At 30th June, 2019, the current ratio (current assets/current liabilities) of the Group was 2.3 times (at 31st December, 2018: 2.3 times).

Other than the US dollar denominated notes and HK dollar denominated notes/paper, 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.

Material Acquisition and Disposal

On 27th June, 2019, United Asia Finance Limited ("UAF") completed the repurchase of ordinary shares from ORIX Asia Capital Limited, a minority shareholder which held 7.27% of the then entire issued ordinary shares of UAF, at a cash consideration of JPY10 billion (equivalent to HK$730.4 million). As a result, the Group's beneficial equity interest in UAF increased from 58.18% to 62.74%. Further details are disclosed in the joint announcements of the Company, Allied Group Limited and Sun Hung Kai & Co. Limited ("SHK") dated 20th and 27th June, 2019.

On 25th April, 2019, Allied Properties Investments (1) Company Limited ("API"), an indirect wholly-owned subsidiary of the Company, was allotted 145,557,338 rights shares of APAC Resources Limited ("APAC"), an associate of the Company, at a consideration of HK$160.1 million pursuant to the rights issue of APAC. In addition, API acquired additional 1,600,000 shares in APAC from the market at a consideration of HK$1.9 million during the period. As a result, the Group's beneficial equity interest in APAC increased from 35.78% as at 31st December, 2018 to 35.92% as at 30th June, 2019.

Save as disclosed above, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures during the period.

Segment Information

Detailed segmental information in respect of the revenue and profit or loss is shown in note 4 to the condensed 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 on indemnities on banking facility made available to joint venture and other guarantees as follows:

	At 30th June, 2019 *HK$ Million*	At 31st December, 2018 *HK$ Million*
At 1st January	**107.0**	112.7
Additions	**390.7**	–
Exchange adjustments	**(0.2)**	(5.7)
	497.5	107.0

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$9,391.6 million (at 31st December, 2018: HK$8,896.5 million), bank deposits and bank balances of HK$33.1 million (at 31st December, 2018: HK$20.0 million) together with certain securities in respect of a listed subsidiary with investment cost of HK$276.8 million (at 31st December, 2018: HK$276.6 million) were pledged to secure loans and general banking facilities to the extent of HK$4,624.2 million (at 31st December, 2018: HK$3,735.7 million) granted to the Group. Facilities amounting to HK$2,849.8 million (at 31st December, 2018: HK$3,137.3 million) were utilised at the end of the reporting period.

OPERATIONAL REVIEW

Properties

Hong Kong

- The Group's rental income from its Hong Kong property portfolio maintained a steady level compared to 2018.

- The net gain in the value of the Group's property portfolio, including investment properties owned by SHK was HK$178.6 million during the period, lower than that of 2018 by HK$467.6 million.

- The hotel operation reported a profit contribution similar to that in 2018.

- 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, reported a decrease in its profit contribution of 72.6% mainly due to lower fair value gain of its property portfolio during the period. Superstructure work on the Jaffe Road hotel site is in progress.

Mainland PRC

- The profit attributable to the owners of Tian An China Investments Company Limited ("TACI") was HK$853.5 million (2018: HK$836.9 million).

- The slight increase in profit of TACI was mainly due to an increase in the share of results of joint ventures which was partially off-set by a decrease in recognised sales for completed properties and a decrease in fair value gains in respect of its investment properties and transfer to investment properties during the period.

- TACI's rental income slightly decreased by 2% as compared with 2018, which was mainly due to the devaluation of Renminbi.

- TACI has a total of 15 cyberparks over 12 cities. The overall contribution of TACI's cyberpark unit has increased during the period. Those 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 Part 1 of TACI's urban renewal project, Tian An Cloud Park, in Huawei New City Area in the Longgang District of Shenzhen, with gross floor area ("GFA") of approximately 250,600 m^2 was completed in the first half of 2019 and the remaining part of Phase 2 with GFA of approximately 348,800 m^2 is under construction and is expected to be completed in second half of 2019.

- Asiasec Properties Limited, the listed subsidiary of TACI, reported a profit attributable to its shareholders of HK$64.1 million (2018: HK$78.2 million).

Financial Services

Investment and Finance

- The profit attributable to owners of SHK was HK$1,028.9 million (2018: HK$1,058.0 million). SHK delivered a sound result with a significant contribution from UAF.

- The total investment assets of SHK's principal investment portfolio amounted to HK$14.4 billion at the end of June 2019 and this division which included the structured finance business contributed a pre-tax contribution of HK$580.4 million to SHK (2018: HK$680.4 million).

- Sun Hung Kai Credit Limited made a pre-tax profit contribution of HK$68.5 million (2018: HK$48.8 million). Its mortgage loan portfolio was HK$3.6 billion at the end of June 2019 (at 31st December, 2018: HK$3.9 billion).

Consumer Finance

- Profit attributable to owners of UAF for the period amounted to HK$541.1 million (2018: HK$505.6 million).

- During the period, UAF has maintained a prudent approach towards credit approvals in mainland China as the operating and economic environment of mainland China remained challenging. UAF's business in Hong Kong achieved satisfactory growth and profitability.

- At the end of the period, the consolidated consumer finance gross loan balance amounted to HK$10.7 billion, representing an increase of HK$0.3 billion from the end of 2018.

- UAF continued to reduce costs by closing 15 branches in mainland China during the period. Developing online business remained the key focus in mainland China. At the end of the reporting period, UAF had 31 branches in mainland China and maintained 49 branches in Hong Kong.

- In June 2019, UAF completed the repurchase of its ordinary shares from ORIX Asia Capital Limited, a minority shareholder which held 7.27% of the then entire share ordinary shares of UAF, at a consideration of JPY10 billion. As a result, SHK's beneficial equity interest in UAF increased from 58% to 63%.

Employees

The total number of headcount of the Group at 30th June, 2019 was 3,544 (at 31st December, 2018: 4,262). The net decrease in headcount is mainly the result of the branch consolidation of UAF in mainland China, as the business migrated further online. 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.

BUSINESS OUTLOOK

The protracted trade war between USA and China is the main uncertainty affecting the global and local economic outlook, while the development of Brexit and the effects arising therefrom are difficult to forecast. The recent protests in Hong Kong have also exerted serious pressure upon the local economy.

The consumer finance business is sensitive to local 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 whilst on the lookout for any opportunities.

In July 2019, the US Federal Reserve cut interest rates by 0.25%. This may signal the start of a downward interest rate trend, which will be beneficial to the local property market. However we have yet to quantify the effects from the recent city protests on the local economy.

For the mainland property market, there have been various measures by the authorities to regulate the high housing demand. However, as the trade war between China and USA has become fiercer in recent month, this will have a negative impact on China economy. It is expected that the China Government will implement different measures to stimulate the economy should it be necessary.

The Group maintains a 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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2019, 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 were set out in the Corporate Governance Report contained in the Company's Annual Report for the financial year ended 31st December, 2018. The Board 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.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30th June, 2019. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors 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, and on the interim results announcements of the listed associates, as well as reports obtained from management. The Audit Committee has not undertaken detailed independent audit checks.

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 six months ended 30th June, 2019.

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

Hong Kong, 21st August, 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.