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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)

FURTHER ANNOUNCEMENT DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF A SUBSIDIARY AND DELAY IN DESPATCH OF CIRCULAR

Reference is made to the announcement of the Company dated 18th October, 2019 in relation to, among other things, the entering into of the Sale and Purchase Agreement between the Company and the Purchaser (an indirect wholly-owned subsidiary of AGL) (the “**Announcement**”). Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Company has conditionally agreed to sell the Sale Shares. Capitalised terms used herein shall have the same meaning as they were defined in the Announcement unless the context otherwise specified.

COMPLIANCE WITH THE LISTING RULES

As disclosed in the Announcement, the consideration of HK\$260,000,000 as set out in the Sale and Purchase Agreement is determined based on arm’s length negotiations between the Company and the Purchaser on normal commercial terms with reference to the preliminary valuation of the Target Group, amounting to HK\$260,000,000 as at 31st August, 2019, prepared by the Valuer using the income approach.

Since the income approach was adopted by the Valuer for preparing the valuation report dated 8th November, 2019 (“**Valuation Report**”) in respect of the valuation of the Target Group, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules. Accordingly, the Company discloses the following valuation details in compliance with Rule 14.62 of the Listing Rules.

PROFIT FORECAST IN RELATION TO THE VALUATION METHOD

Pursuant to the Valuation Report prepared by the Valuer, details of the principal assumptions, including commercial assumptions, upon which the profit forecast is based are set out as follows:

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Group operates or intends to operate would be officially obtained and renewable upon expiry.
- There will be sufficient supply of technical staff in the industry in which the Target Group operates, and the Target Group will retain competent management, key personnel and technical staff to support its ongoing operations and developments.
- There will be no major change in the current taxation laws in the localities in which the Target Group operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with.
- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Group operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Group.
- Interest rates and exchange rates in the localities for the operation of the Target Group will not differ materially from those presently prevailing.

Deloitte Touche Tohmatsu, the reporting accountants of the Company, has reported to the Directors on their review of the calculation of the discounted future estimated cash flows in connection with the valuation of the Target Group prepared by the Valuer as set out in the valuation report dated 8th November, 2019 is based.

Pelican Financial Limited (“**Pelican Financial**”), the independent financial adviser to the Company, has considered the forecasts included in the Valuation Report and the abovementioned report from Deloitte Touche Tohmatsu. Pelican Financial is satisfied that the forecasts included in the Valuation Report have been made by the Directors after due and careful enquiry.

The abovementioned report from Deloitte Touche Tohmatsu and letter from Pelican Financial regarding the forecasts in the Valuation Report are set out in Appendix I and Appendix II to this announcement, respectively.

The followings are the qualifications of each expert who has provided its conclusion or advice, which is contained in this announcement:

Name	Qualification	Date of conclusion or advice
Deloitte Touche Tohmatsu Pelican Financial Limited	Certified Public Accountants A licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to conduct type 6 (advising on corporate finance) regulated activity	8th November, 2019 8th November, 2019
Norton Appraisals Holdings Limited	Independent valuer	8th November, 2019

As at the date of this announcement, each of the experts was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group.

Each of the experts has given and has not withdrawn its written consent to the issue of this announcement with the inclusion herein of its report, letter and/or references to its name in the form and context in which they respectively appear.

DELAY IN DESPATCH OF CIRCULAR

As disclosed in the Announcement, a circular (the “**Circular**”) containing, among other things, (i) further information on the Disposal; (ii) the advice and recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 8th November, 2019. However, as additional time is required for the Company to finalise and complete the information to be contained in the Circular, the Board expects the date of despatch of the Circular to the Shareholders will be delayed to a date falling on or before 20th November, 2019.

On behalf of the Board
Allied Properties (H.K.) Limited
Mark Wong Tai Chun
Executive Director

Hong Kong, 8th November, 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.

APPENDIX I – REPORT FROM DELOITTE TOUCHE TOHMATSU

The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for inclusion in this announcement, in respect of the calculation of the discounted future estimated cash flows in connection with the valuation of AP Elderly Care Limited and its subsidiaries.



INDEPENDENT ASSURANCE REPORT ON THE CALCULATION OF THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF AP ELDERLY CARE LIMITED AND ITS SUBSIDIARIES

TO THE DIRECTORS OF ALLIED PROPERTIES (H.K.) LIMITED

We have examined the calculation of the discounted future estimated cash flows on which the valuation prepared by Norton Appraisals Holdings Limited dated 8th November, 2019, of the valuation of AP Elderly Care Limited (the “**Target Company**”) and its subsidiaries (collectively referred to as the “**Target Group**”) as at 31st August, 2019 (the “**Valuation**”) is based. The Target Company, which is incorporated in the British Virgin Islands, is an investment holding company while its subsidiaries are engaged in the provision of elderly care services, property management, cleaning and security guarding services in Hong Kong. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and is included in the announcement dated 8th November, 2019 issued by Allied Properties (H.K.) Limited (the “**Company**”) in connection with the disposal of the entire equity interest in the Target Company (the “**Announcement**”).

Directors’ Responsibilities for the discounted future estimated cash flows forecasts

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Announcement (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows forecasts for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion on whether the calculation of the discounted future estimated cash flows has been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company’s management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of the Target Group.

Reporting Accountants' Responsibilities – continued

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

8th November, 2019

APPENDIX II – LETTER FROM PELICAN FINANCIAL

The following is the text of the letter received from Pelican Financial, the independent financial adviser of the Company, in respect of the valuation of the Target Group for the purpose of inclusion in this announcement.



PELICAN FINANCIAL LIMITED

15/F, East Exchange Tower, 38-40 Leighton Road, Causeway Bay, Hong Kong

Allied Properties (H.K.) Limited
22nd Floor, Allied Kajima Building
138 Gloucester Road, Wanchai
Hong Kong

Attention: The Board of Directors

8 November 2019

Dear Sirs,

We refer to the valuation report dated 8 November 2019 (the “**Valuation Report**”) prepared by Norton Appraisals Holdings Limited (the “**Valuer**”) in relation to the valuation of the entire issued share capital of AP Elderly Care Limited (the “**Target Company**”, and together with its subsidiaries, the “**Target Group**”) as at 31 August 2019 (the “**Valuation**”).

We noted that the Valuation has been developed based on the discounted cash flow approach, which is regarded as profit forecast (the “**Profit Forecast**”) under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and this letter is issued in compliance with the requirement under Rule 14.62(3) of the Listing Rules. The principal assumptions upon which the Valuation is based are included in the announcement of Allied Properties (H.K.) Limited (the “**Company**”) dated 8 November 2019 (the “**Announcement**”), of which this letter forms part.

We have reviewed the Profit Forecast, for which you as the directors of the Company (the “**Directors**”) are solely responsible for, and have discussed with the management of the Company and the Valuer regarding the bases and assumptions upon which the Profit Forecast has been made to arrive at the Valuation. We have also reviewed the report issued by Deloitte Touche Tohmatsu, the reporting accountants of the Company, dated 8 November 2019 as set out in Appendix I to the Announcement containing its opinion on whether the discounted future estimated cash flow, so far as the arithmetical accuracy of the calculations are concerned, have been properly compiled in accordance with the bases and assumptions made by the Directors.

On the basis that (i) the assumptions and calculations adopted by the Valuer in respect of the Profit Forecast have been properly reviewed by the Directors; and (ii) the Directors are satisfied that no further matters should be brought to our attention, we are of the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry. However, as the relevant bases and assumptions are related to future events which may or may not occur, the actual financial performance of the businesses of the Target Group may or may not achieve as expected. We express no opinion as to how closely the actual cash flow will eventually correspond with the Profit Forecast.

Our work in connection with the Profit Forecast has been undertaken solely for the strict compliance under Rule 14.62(3) of the Listing Rules and for no other purpose.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li*
Managing Director

* Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.