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亞證地產有限公司

ASIASEC PROPERTIES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 271)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2022

The board of directors (“Board”) of Asiasec Properties Limited (“Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30th June, 2022 with the comparative figures for the corresponding period in 2021 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30th June, 2022

		(Unaudited)	
		Six months ended 30th June,	
		2022	2021
	Notes	HK\$'000	HK\$'000
Revenue	(4)	16,790	18,178
Other income	(5)	6,096	11,317
Other gains	(6)	508	633
Rent and rates		(647)	(585)
Building management fees		(3,422)	(3,407)
Staff costs (including directors' emoluments)		(5,306)	(4,991)
Depreciation and amortisation		(101)	(71)
Repairs and maintenance		(2,872)	(394)
Other expenses		(4,756)	(4,381)
Operating profit before impairment losses under expected credit loss model, net of reversal and change in fair value of investment properties and financial instruments		6,290	16,299
Loss from change in fair value of investment properties		(2,850)	(14,934)
Impairment losses under expected credit loss model, net of reversal		(635)	(30,370)
Net decrease in fair value of financial assets at fair value through profit or loss		(6,160)	(84)
Operating loss		(3,355)	(29,089)
Share of loss of associates		–	(18,500)
Loss before taxation		(3,355)	(47,589)
Income tax expense	(7)	(1,000)	(1,206)
Loss for the period	(8)	(4,355)	(48,795)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
Basic	(10)	(0.35)	(3.93)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

for the six months ended 30th June, 2022

	(Unaudited)	
	Six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
Loss for the period	<u>(4,355)</u>	<u>(48,795)</u>
Other comprehensive expense:		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Change in fair value of equity instrument at fair value through other comprehensive income	(440)	(3,444)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<u>(2,077)</u>	<u>1,293</u>
Other comprehensive expense for the period	<u>(2,517)</u>	<u>(2,151)</u>
Total comprehensive expense for the period	<u>(6,872)</u>	<u>(50,946)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30th June, 2022

	<i>Notes</i>	(Unaudited) 30th June, 2022 HK\$'000	(Audited) 31st December, 2021 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,168	1,269
Investment properties		1,324,336	1,329,370
Loan receivables		77,932	111,592
Financial assets at fair value through profit or loss		43,767	43,116
Equity instrument at fair value through other comprehensive income		32,220	32,660
Club memberships		4,261	4,261
		1,483,684	1,522,268
Current assets			
Trade and other receivables, prepayments and deposits	(11)	32,983	37,693
Loan receivables		99,550	64,737
Financial assets at fair value through profit or loss		36,532	42,814
Income tax recoverable		3,812	3,961
Cash and cash equivalents		129,113	119,853
		301,990	269,058
Total assets		1,785,674	1,791,326
EQUITY			
Share capital		681,899	681,899
Reserves		916,650	923,522
Total equity		1,598,549	1,605,421
LIABILITIES			
Non-current liability			
Deferred tax liabilities		163,940	163,708
Current liabilities			
Creditors and accruals	(12)	23,079	22,155
Income tax payable		106	42
		23,185	22,197
Total liabilities		187,125	185,905
Total equity and liabilities		1,785,674	1,791,326

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Reviewed by auditor

The interim financial report of the Group for the six months ended 30th June, 2022 has been reviewed by our auditor, Deloitte Touche Tohmatsu, 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 (“HKICPA”) and an unmodified review conclusion has been issued.

(2) Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the HKICPA as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”).

The Company has delivered the financial statements for the year ended 31st December, 2021 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (“CO”).

The Company’s auditor has reported on those financial statements. 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 CO.

The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

(3) Principal accounting policies

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31st December, 2021.

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

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1st January, 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

(4) Revenue and segment information

	(Unaudited)	
	Six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
Rental income from investment properties that is fixed	12,805	14,048
Estate management fees	2,485	2,630
Dividend income from equity instrument at fair value through other comprehensive income ("FVTOCI")	1,500	1,500
	<u>16,790</u>	<u>18,178</u>

Revenue from estate management fees is recognised over time. The Group applied the practical expedient in HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to recognise revenue in the amount that the Group has the right to invoice based on the terms of the relevant lease agreements in which the Group bills a fixed monthly amount in advance. As permitted under HKFRS 15, the transaction price of estate management services allocated to the remaining performance obligations as at 30th June, 2022 and 2021 is not disclosed.

The executive directors of the Company have been identified as the chief operating decision maker. The executive directors regard the Group's business as a single operating segment, which is property leasing and estate management, and review financial information as a whole accordingly. Therefore, no segment analysis of the Group's revenue, results, assets and liabilities are presented.

As at 30th June, 2022, other than financial assets at fair value through profit or loss ("FVTPL"), equity instrument at FVTOCI and loan receivables, the total of non-current assets located in Hong Kong and the People's Republic of China ("PRC") are HK\$1,268,914,000 and HK\$60,851,000 (31st December, 2021: HK\$1,272,334,000 and HK\$62,566,000) respectively. During the current interim period, the total revenue derived from Hong Kong and the PRC are HK\$16,146,000 and HK\$644,000 (six months ended 30th June, 2021: HK\$17,523,000 and HK\$655,000) respectively.

(5) Other income

	(Unaudited)	
	Six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
Bank interest income	235	327
Loan interest income	4,413	8,712
Government grants	392	(16)
Interest income from other receivables	126	124
Dividend income from financial assets at FVTPL	350	2,165
Management fee income from intermediate holding company	432	–
Other	148	5
	<u>6,096</u>	<u>11,317</u>

During the current interim period, the Group recognised government grants of HK\$392,000, in respect of COVID-19 related subsidies, which related to the Employment Support Scheme provided by HKSAR (six months ended 30th June, 2021: a penalty of government grants of HK\$16,000).

(6) Other gains

(Unaudited)
Six months ended 30th June,
2022 2021
HK\$'000 *HK\$'000*

Net exchange gain	<u>508</u>	<u>633</u>
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(7) Income tax expense

(Unaudited)
Six months ended 30th June,
2022 2021
HK\$'000 *HK\$'000*

The charge comprises:

Current period

– Hong Kong Profits Tax	213	2,824
– PRC Enterprise Income Tax	<u>5</u>	<u>–</u>

	<u>218</u>	<u>2,824</u>
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Over provision in prior years

– Hong Kong Profits Tax	<u>–</u>	<u>(40)</u>
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	218	2,784
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Deferred taxation	<u>782</u>	<u>(1,578)</u>
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Income tax expense for the period	<u>1,000</u>	<u>1,206</u>
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(8) Loss for the period

(Unaudited)
Six months ended 30th June,
2022 2021
HK\$'000 *HK\$'000*

Loss for the period has been arrived at after charging:

Depreciation of property, plant and equipment	101	71
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Direct operating expenses of investment properties that generated rental income	6,307	4,460
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Direct operating expenses of investment properties that did not generate rental income	<u>1,420</u>	<u>197</u>
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(9) Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30th June, 2022 (six months ended 30th June, 2021: Nil).

(10) Loss per share

The calculation of the basic loss per share attributable to the owners of the Company is based on the following:

	(Unaudited)	
	Six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
Loss		
Loss for the purpose of basic loss per share (loss for the period attributable to the owners of the Company)	4,355	48,795
	4,355	48,795
	(Unaudited)	
	Six months ended 30th June,	
	2022	2021
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic loss per share	1,240,669	1,240,669
	1,240,669	1,240,669

No diluted loss per share for both 2022 and 2021 were presented as there were no potential ordinary shares in issue for both 2022 and 2021.

(11) Trade and other receivables, prepayments and deposits

	(Unaudited)	(Audited)
	30th June,	31st December,
	2022	2021
	HK\$'000	HK\$'000
Trade receivables	14,503	17,068
Other receivables	17,078	18,922
Prepayments and deposits	1,402	1,703
	32,983	37,693

Trade receivables represent rental receivable which are receivable on the presentation of debit notes. Rental income is billed in advance at month-end. The Group generally allows a credit period of 30 days to its tenant. The ageing of these trade receivables of the Group, net of provisions and in accordance with the revenue recognition dates, is as follows:

	(Unaudited)	(Audited)
	30th June,	31st December,
	2022	2021
	HK\$'000	HK\$'000
Within 30 days	12,076	13,951
31-60 days	1,138	1,520
61-90 days	854	–
91-120 days	–	1,137
121-180 days	435	460
	14,503	17,068

(12) Creditors and accruals

	(Unaudited) 30th June, 2022 <i>HK\$'000</i>	(Audited) 31st December, 2021 <i>HK\$'000</i>
Trade creditors	617	371
Other creditors	5,640	6,185
Tenants deposits	13,899	12,244
Accrued operating expenses	2,923	3,355
	<u>23,079</u>	<u>22,155</u>

The ageing of the trade creditors of the Group and in accordance with invoice date is as follows:

	(Unaudited) 30th June, 2022 <i>HK\$'000</i>	(Audited) 31st December, 2021 <i>HK\$'000</i>
Within 30 days	602	356
Over 120 days	15	15
	<u>617</u>	<u>371</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group recorded a revenue of HK\$16,790,000 for the six months ended 30th June, 2022, which represented a decrease of approximately HK\$1,388,000 or 7.64% as compared with the same period in 2021. The decrease in revenue was mainly attributable to a reduction in rental income. The loss for the six months ended 30th June, 2022 was HK\$4,355,000 (2021: HK\$48,795,000). The decrease in loss was mainly the results of:

- (1) a decrease in impairment losses on loan and interest receivables; and
- (2) the absence of share of loss of associates for the six months ended 30th June, 2022 as a result of the sale of interests in associates through the disposal of a subsidiary completed in October 2021.

Business Review

The Group's core businesses comprise property investment, property leasing and estate management in Hong Kong.

For the six months ended 30th June, 2022, the Group's commercial properties situated at Harbour Crystal Centre recorded an average occupancy level of approximately 80%, but the performance of rental income was not so good as expected.

During the fifth wave of COVID-19 in Hong Kong starting in early 2022, retail business in Harbour Crystal Centre was seriously affected due to the mandatory closure or restrictions of designated retail premises adopted by the Government. As a result, the Group has granted rent concession to some tenants depending on the trades during the period resulting a decrease in rental income from Harbour Crystal Centre.

However, the Group's office spaces in Billion Centre and some strata residential apartments recorded 100% occupancy rate during the first half of 2022.

Financial Review

Group Assets and Charges

The total assets of the Group have decreased from HK\$1,791,326,000 as at 31st December, 2021 to HK\$1,785,674,000 as at 30th June, 2022. The net assets of the Group have decreased from HK\$1,605,421,000 as at 31st December, 2021 to HK\$1,598,549,000 as at 30th June, 2022. At 30th June, 2022, no investment properties of the Group in Hong Kong (31st December, 2021: Nil) were pledged as security for banking facilities. The Group has no bank loan, but will undergo a discussion with the bank for the arrangement of banking facilities and the bank has agreed to provide banking facilities if necessary.

Group Financial Position, Liquidity and Financial Resources

The total liabilities of the Group have increased from HK\$185,905,000 as at 31st December, 2021 to HK\$187,125,000 as at 30th June, 2022. The Group had cash and bank balances of HK\$129,113,000 as at 30th June, 2022 (31st December, 2021: HK\$119,853,000). The ratio of total liabilities to total assets was approximately 10.48% (31st December, 2021: 10.38%). As at 30th June, 2022, the Group had no bank loans (31st December, 2021: Nil) and the total equity was HK\$1,598,549,000 (31st December, 2021: HK\$1,605,421,000).

As at 30th June, 2022, the current assets of the Group, amounting to HK\$301,990,000 (31st December, 2021: HK\$269,058,000), exceeded its current liabilities by HK\$278,805,000 (31st December, 2021: HK\$246,861,000).

For the six months ended 30th June, 2022, the Group had no material exposure to fluctuations in exchange rates and related hedges and there were no contingent liabilities.

Employees

As at 30th June, 2022, the Group employed 33 (31st December, 2021: 30) people, all were employed in Hong Kong. The Group maintains a policy of paying competitive remuneration packages and employees are also rewarded performance related basis including salary and bonus.

In addition to basic salaries, employees in Hong Kong are provided with medical insurance and mandatory provident fund scheme.

COVID-19 Response

The Group continued to take preventive measures to protect the health and safety of our workforce, their families, local suppliers and neighbouring communities while ensuring a safe environment for operations to continue as usual. For example:

- measures to maximize social distancing and staff protection within the offices;
- meetings held off-site or by conference calls or video conference as far as possible;
- cancellation of all non-essential travel;
- flexible and remote working plans for employees;
- restrictions on office access and temperature screening;
- self-isolation following travel, development of symptoms, or interaction with a confirmed case of COVID-19 and requirement to undergo a coronavirus test as and when necessary at the Company's cost; and
- increased inventory of face mask, hand sanitiser and hygiene supplies and increased focus on cleaning and sanitation.

The Group also joined HKSAR Government's "Early Vaccination for All" campaign by offering vaccination leave to employees who take vaccination.

Business Outlook

With the gradual relaxation of many COVID-19-related restrictions, we expect most tenants in the Group's retail space in Harbour Crystal Centre (portion), especially those in the food and beverage industry, will have better business performance going forward. However, due to the closed borders with mainland China, many retail tenants will continue to have a difficult operating environment. Therefore, we believe it will take until at least the fourth quarter of the year before rents can stabilise and until next year before we can expect any rebound in rents.

We also expect the office rental market to continue to struggle due to the ongoing pandemic and because of a drop in demand from Chinese corporate tenants. The rental demand for the Group's office space in Billion Centre will continue to suffer as a result.

Nonetheless, we remain positive on the business prospects for Hong Kong longer term. We believe the recent announcement of major international events to be hosted in Hong Kong such as the Rugby Sevens competition and the recent marginal loosening of quarantine requirements for inbound travellers are indicative of further relaxation of travel restrictions in the coming months. This would bode well for a dramatic pick-up in economic activity in general towards the latter part of this year. In the meantime, we continue to be on the lookout for attractive opportunities to add to our portfolio.

INTERIM DIVIDEND

The Board considers that it is prudent to retain an appropriate level of funds to take advantage of business opportunities as and when they arise, and therefore does not intend to declare an interim dividend for the six months ended 30th June 2022 (2021: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2022, the Company has applied the principles of, and complied with, the applicable code provisions set out in the section headed “Part 2 – Principles of good corporate governance, code provisions and recommended best practices” of the Corporate Governance Code (“CG Code”) under Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

Code Provisions E.1.2 and D.3.3

Code provisions E.1.2 and D.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.

During the six months ended 30th June, 2022, the Board has reviewed and updated the terms of reference of the remuneration committee (“Remuneration Committee”) and the audit committee (“Audit Committee”) according to the revised CG Code effective on 1st January, 2022. The updated terms of reference of the Remuneration Committee adopted by the Company are in compliance with the code provision E.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 updated terms of reference of the Audit Committee adopted by the Company are in compliance with the code provision D.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, 2021 and remain unchanged. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the relevant updated terms of reference, and will continue to 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, 2022. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditor 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 HKICPA 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 has purchased, sold or redeemed any of the Company's shares during the six months ended 30th June, 2022.

On behalf of the Board
Asiasec Properties Limited
Edwin Lo King Yau
Executive Director

Hong Kong, 18th August, 2022

As at the date of this announcement, the Board comprises Mr. Patrick Lee Seng Wei (Chairman), Mr. Lee Shu Yin (Chief Executive), Mr. Edwin Lo King Yau and Mr. Tao Tsan Sang being the Executive Directors; and Mr. Li Chak Hung, Mr. Choi Kin Man and Ms. Lisa Yang Lai Sum being the Independent Non-Executive Directors.