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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, 2023

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, 2023 with the comparative figures for the corresponding period in 2022 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30th June, 2023

		(Unaudited)	
		Six months ended 30th June,	
		2023	2022
	Notes	HK\$'000	HK\$'000
Revenue	(4)	22,788	16,790
Other income	(5)	7,407	6,096
Other (loss) gain	(6)	(418)	508
Rent and rates		(706)	(647)
Building management fees		(3,595)	(3,422)
Staff costs (including directors' emoluments)		(5,037)	(5,306)
Depreciation and amortisation		(93)	(101)
Repairs and maintenance		(1,667)	(2,872)
Other expenses		(6,200)	(4,756)
Operating profit before reversal (impairment losses) under expected credit loss model, net of (impairment losses) reversal and change in fair value of investment properties and financial instruments		12,479	6,290
Gain (loss) from change in fair value of investment properties		6,046	(2,850)
Reversal (impairment losses) under expected credit loss model, net of (impairment losses) reversal		1,889	(635)
Net decrease in fair value of financial assets at fair value through profit or loss		(2,738)	(6,160)
Profit (loss) before taxation		17,676	(3,355)
Income tax expense	(7)	(3,169)	(1,000)
Profit (loss) for the period	(8)	14,507	(4,355)
		HK cents	HK cents
Earnings (loss) per share			
Basic	(10)	1.17	(0.35)

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

for the six months ended 30th June, 2023

	(Unaudited)	
	Six months ended 30th June,	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) for the period	<u>14,507</u>	<u>(4,355)</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	(1,860)	(440)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<u>(1,650)</u>	<u>(2,077)</u>
Other comprehensive expense for the period, net of tax	<u>(3,510)</u>	<u>(2,517)</u>
Total comprehensive income (expense) for the period	<u>10,997</u>	<u>(6,872)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30th June, 2023

	(Unaudited) 30th June, 2023 HK\$'000	(Audited) 31st December, 2022 HK\$'000
<i>Notes</i>		
ASSETS		
Non-current assets		
Property, plant and equipment	480	1,071
Investment properties	1,002,540	1,297,022
Interest in an associate	–	–
Loan receivables	78,209	78,024
Financial assets at fair value through profit or loss	–	43,079
Equity instrument at fair value through other comprehensive income	27,740	29,600
Club memberships	4,261	4,261
	1,113,230	1,453,057
Current assets		
Trade and other receivables, prepayments and deposits (11)	16,303	26,752
Loan receivables	–	76,705
Financial assets at fair value through profit or loss	75,790	35,147
Income tax recoverable	1,663	1,785
Cash and cash equivalents	207,415	147,668
	301,171	288,057
Assets classified as held for sale	339,708	–
Total assets	1,754,109	1,741,114

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
at 30th June, 2023

		(Unaudited)	(Audited)
		30th June,	31st December,
		2023	2022
	<i>Notes</i>	HK\$'000	HK\$'000
EQUITY			
Share capital		681,899	681,899
Reserves		883,203	872,206
Total equity		1,565,102	1,554,105
LIABILITIES			
Non-current liability			
Deferred tax liabilities		145,545	161,040
Current liabilities			
Creditors and accruals	(12)	22,547	25,380
Income tax payable		1,498	589
		24,045	25,969
Liabilities associated with assets classified as held for sale		19,417	–
Total liabilities		189,007	187,009
Total equity and liabilities		1,754,109	1,741,114

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, 2023 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 (“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, 2022 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 revalued amounts or fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31st December, 2022.

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

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1st January, 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Definition of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The application of the new and amendments to HKFRSs in the current interim 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,	
	2023	2022
	HK\$’000	HK\$’000
Rental income from investment properties that is fixed	18,878	12,805
Estate management fees	2,560	2,485
Dividend income from equity instrument at fair value through other comprehensive income (“FVTOCI”)	1,350	1,500
	<u>22,788</u>	<u>16,790</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, 2023 and 2022 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, 2023, 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\$1,006,670,000 and HK\$611,000 (31st December, 2022: HK\$1,244,637,000 and HK\$57,717,000) respectively. During the current interim period, the total revenue derived from Hong Kong and the PRC are HK\$22,219,000 and HK\$569,000 (six months ended 30th June, 2022: HK\$16,146,000 and HK\$644,000) respectively.

(5) Other income

	(Unaudited)	
	Six months ended 30th June,	
	2023	2022
	HK\$'000	HK\$'000
Bank interest income	2,772	235
Loan interest income	3,778	4,413
Government grants (<i>Note</i>)	–	392
Interest income from other receivables	144	126
Dividend income from financial assets at FVTPL	–	350
Management fee income from ultimate holding company	150	–
Management fee income from intermediate holding company	555	432
Other	8	148
	<u>7,407</u>	<u>6,096</u>

Note: During the six months ended 30th June, 2022, 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 the Government of the Hong Kong Special Administrative Region.

(6) Other (loss) gain

	(Unaudited)	
	Six months ended 30th June,	
	2023	2022
	HK\$'000	HK\$'000
Net exchange (loss) gain	<u>(418)</u>	<u>508</u>

(7) **Income tax expense**

	(Unaudited)	
	Six months ended 30th June,	
	2023	2022
	HK\$'000	HK\$'000
The charge comprises:		
Current period		
– Hong Kong Profits Tax	1,186	213
– PRC Enterprise Income Tax	26	5
	1,212	218
Deferred taxation	1,957	782
Income tax expense for the period	3,169	1,000

(8) **Profit (loss) for the period**

	(Unaudited)	
	Six months ended 30th June,	
	2023	2022
	HK\$'000	HK\$'000
Profit (loss) for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	93	101
Direct operating expenses of investment properties that generated rental income	6,283	6,307
Direct operating expenses of investment properties that did not generate rental income	135	1,420

(9) **Dividend**

The Board has resolved not to declare any interim dividend for the six months ended 30th June, 2023 (six months ended 30th June, 2022: Nil).

(10) Earnings (loss) per share

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

	(Unaudited)	
	Six months ended 30th June,	
	2023	2022
	HK\$'000	HK\$'000
Earnings (loss)		
Earnings (loss) for the purpose of basic earnings (loss) per share		
(profit (loss) for the period attributable to the owners of the Company)	14,507	(4,355)

	(Unaudited)	
	Six months ended 30th June,	
	2023	2022
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic earnings (loss) per share	1,240,669	1,240,669

No diluted earnings (loss) per share for both 2023 and 2022 were presented as there were no potential ordinary shares in issue for both 2023 and 2022.

(11) Trade and other receivables, prepayments and deposits

	(Unaudited)	(Audited)
	30th June,	31st December,
	2023	2022
	HK\$'000	HK\$'000
Trade receivables	9,030	14,624
Other receivables	6,208	10,636
Prepayments and deposits	1,065	1,492
	16,303	26,752

Trade receivables represent rental receivable which are receivable on the presentation of debit notes. Rental income is billed in advance at preceding 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) 30th June, 2023 <i>HK\$'000</i>	(Audited) 31st December, 2022 <i>HK\$'000</i>
Within 30 days	7,808	13,366
31-60 days	509	733
61-90 days	428	6
91-120 days	–	348
121-180 days	285	171
	<u>9,030</u>	<u>14,624</u>

(12) Creditors and accruals

	(Unaudited) 30th June, 2023 <i>HK\$'000</i>	(Audited) 31st December, 2022 <i>HK\$'000</i>
Trade creditors	564	1,640
Other creditors	4,972	5,951
Tenants deposits	12,854	14,377
Accrued operating expenses	4,157	3,412
	<u>22,547</u>	<u>25,380</u>

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

	(Unaudited) 30th June, 2023 <i>HK\$'000</i>	(Audited) 31st December, 2022 <i>HK\$'000</i>
Within 30 days	549	1,228
31-60 days	–	397
Over 120 days	15	15
	<u>564</u>	<u>1,640</u>

(13) Events after the reporting period

On 27th February, 2023, an indirect wholly-owned subsidiary of the Company (“Purchaser”) entered into a sale and purchase agreement with third parties to acquire a property in Hong Kong through (i) the acquisition of the entire issued share capital of an investment holding company (“Target Company”) and (ii) the assignment of loan indebted by the Target Company to its shareholder, at the consideration of HK\$3. It was further agreed that at completion, the Purchaser shall enter into a loan agreement to provide to the Target Company a loan in the amount of HK\$1,000,000,000. The total payment for the acquisition shall be HK\$1,000,000,003. The transaction was completed on 5th July, 2023.

On the even date, the Group entered into two sale and purchase agreements to dispose of its non-core properties. A sale and purchase agreement was entered into between a direct wholly-owned subsidiary of the Company and a direct wholly-owned subsidiary of Tian An China Investments Company Limited to dispose of certain PRC non-core properties of the Group through the disposal of the entire issued share capital of an investment holding company and the assignment of shareholder’s loan at the consideration of HK\$80,000,000. Another sale and purchase agreement was entered into between a direct wholly-owned subsidiary of the Company and an indirect wholly-owned subsidiary of Allied Group Limited to dispose of certain Hong Kong non-core properties of the Group through the disposal of the entire issued share capital of two investment holding companies and the assignment of the respective shareholder’s loans at the aggregate consideration of HK\$250,000,000. These transactions were completed on 3rd July, 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group recorded a revenue of HK\$22,788,000 for the six months ended 30th June, 2023, which represented an increase of approximately HK\$5,998,000 or 35.72% as compared with the same period in 2022. The profit for the six months ended 30th June, 2023 was HK\$14,507,000 (2022: loss for the period of HK\$4,355,000). The turnaround of the financial performance of the Group were primarily attributable to:

- (1) an increase in revenue due to increase in rental income from investment properties;
- (2) an increase in fair value of investment properties; and
- (3) a decrease in fair value losses of financial assets at fair value through profit or loss.

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, 2023, the Group's commercial properties situated at Harbour Crystal Centre recorded an average occupancy level of approximately 99% and the performance of rental income was satisfactory.

The recovery of post-COVID in retail sector starting in 2023 helped to drive visitors to spend in the district of Harbour Crystal Centre. The rental of new and renewal tenancies were getting improved.

The Group's office spaces in Billion Centre and some strata residential apartments recorded 100% and 83% occupancy rate respectively for the six months ended 30th June, 2023.

Financial Review

Group Assets and Charges

The total assets of the Group have increased from HK\$1,741,114,000 as at 31st December, 2022 to HK\$1,754,109,000 as at 30th June, 2023. The net assets of the Group have increased from HK\$1,554,105,000 as at 31st December, 2022 to HK\$1,565,102,000 as at 30th June, 2023. At 30th June, 2023, no investment properties of the Group in Hong Kong (31st December, 2022: 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\$187,009,000 as at 31st December, 2022 to HK\$189,007,000 as at 30th June, 2023. The Group had cash and cash equivalents of HK\$ 207,415,000 as at 30th June, 2023 (31st December, 2022: HK\$147,668,000). The ratio of total liabilities to total assets was approximately 10.78% (31st December, 2022: 10.74%). As at 30th June, 2023, the Group had no bank loans (31st December, 2022: Nil) and the total equity was HK\$1,565,102,000 (31st December, 2022: HK\$1,554,105,000).

As at 30th June, 2023, the current assets of the Group, amounting to HK\$301,171,000 (31st December, 2022: HK\$288,057,000), exceeded its current liabilities by HK\$277,126,000 (31st December, 2022: HK\$262,088,000).

For the six months ended 30th June, 2023, the Group had no material exposure to fluctuations in exchange rates and related hedges and there were no contingent liabilities.

Material Acquisitions and Disposals

During the six months ended 30th June, 2023, the Group entered into three sale and purchase agreements to acquire a property in Hong Kong and to dispose of its non-core properties in PRC and Hong Kong. Further details are set out in note 13 to the condensed consolidated financial statements.

Events after the Reporting Period

Details regarding events after the reporting period are set out in note 13 to the condensed consolidated financial statements.

Employees

As at 30th June, 2023, the Group employed 31 (31st December, 2022: 34) 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.

Business Outlook

With Hong Kong's economy poised for a recovery in the retail segment as all COVID-19 restrictions have now been lifted, the Group is positioned to benefit through our focus on retail commercial assets. An increase in visitor arrivals, particularly from mainland China, will continue to support the business activity in the Group's retail space in Harbour Crystal Centre (portion).

The recent acquisition of Concord Square mall in Tsuen Wan allows us to tap into the retail recovery that is underway. Comprehensive plans are in place to refurbish the property and attract suitable tenants for this mall, which is expected to have a new name and be fully operational by 2024.

Key risks include the high interest-rate environment in Hong Kong as well as the lackluster recovery in the Chinese economy in general. However, given our new asset's positioning as a mid-end shopping centre serving a bustling neighbourhood in the core retail district of Tsuen Wan, we expect to have sustainable healthy rental income in the medium- and long-term. Longer term, the Group will continue to evaluate attractive opportunities in the retail segment to expand 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, 2023 (2022: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2023, 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.

The terms of reference of the remuneration committee (“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 terms of reference of the audit committee (“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, 2022. 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, 2023. 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, 2023.

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

Hong Kong, 17th August, 2023

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.