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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, 2021

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, 2021 with the comparative figures for the corresponding period in 2020 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30th June, 2021

		(Unaudited)	
		Six months ended 30th June,	
		2021	2020
	Notes	HK\$'000	HK\$'000
Revenue	(4)	18,178	28,245
Other income	(5)	11,317	13,393
Other gains and losses	(6)	633	(1,870)
Rent and rates		(585)	(642)
Building management fees		(3,407)	(3,458)
Staff costs (including directors' emoluments)		(4,991)	(5,689)
Depreciation and amortisation		(71)	(50)
Repairs and maintenance		(394)	(492)
Other expenses		(4,381)	(4,361)
Operating profit before impairment losses under expected credit loss model, net of reversal and change in fair value of investment properties and financial instruments		16,299	25,076
Loss from change in fair value of investment properties		(14,934)	(8,100)
Impairment losses under expected credit loss model, net of reversal		(30,370)	(1,771)
Net decrease in fair value of financial assets at fair value through profit or loss		(84)	–
Operating (loss) profit		(29,089)	15,205
Share of loss of associates		(18,500)	(6,440)
(Loss) profit before taxation		(47,589)	8,765
Income tax expenses	(7)	(1,206)	(2,092)
(Loss) profit for the period	(8)	(48,795)	6,673
		<i>HK cents</i>	<i>HK cents</i>
(Loss) earnings per share			
Basic	(10)	(3.93)	0.54

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

for the six months ended 30th June, 2021

	(Unaudited)	
	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
(Loss) profit for the period	<u>(48,795)</u>	<u>6,673</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	(3,444)	(1,363)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<u>1,293</u>	<u>(999)</u>
Other comprehensive expense for the period, net of tax	<u>(2,151)</u>	<u>(2,362)</u>
Total comprehensive (expense) income for the period	<u>(50,946)</u>	<u>4,311</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30th June, 2021

	(Unaudited) 30th June, 2021	(Audited) 31st December, 2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	1,370	927
Investment properties	1,340,776	1,354,293
Interests in associates	2,537,936	2,556,436
Loan receivables	111,200	110,009
Financial assets at fair value through profit or loss	41,847	39,296
Equity instrument at fair value through other comprehensive income	30,013	33,457
Club memberships	4,261	4,261
	4,067,403	4,098,679
Current assets		
Trade and other receivables, prepayments and deposits	(11) 27,308	34,645
Loan receivables	107,213	139,159
Financial assets at fair value through profit or loss	59,263	61,866
Amounts due from associates	–	23,209
Income tax recoverable	535	769
Cash and cash equivalents	253,862	186,175
	448,181	445,823
Total assets	4,515,584	4,544,502
EQUITY		
Share capital	681,899	681,899
Reserves	3,613,074	3,664,020
Total equity	4,294,973	4,345,919
LIABILITIES		
Non-current liability		
Deferred tax liabilities	165,616	166,849
Current liabilities		
Creditors and accruals	(12) 24,471	25,855
Amounts due to associates	25,571	–
Income tax payable	4,953	5,879
	54,995	31,734
Total liabilities	220,611	198,583
Total equity and liabilities	4,515,584	4,544,502

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, 2021 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, 2020 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.

(2a) Significant events and transactions in the current interim period

The outbreak of the coronavirus disease 2019 (“COVID-19”) and the subsequent quarantine measures imposed by The Government of the Hong Kong Special Administrative Region (“HKSAR”) as well as the travel restrictions imposed by other countries have had a negative impact on the fair value measurement of investment properties and results of associates of the Group as at 30th June, 2021.

Retail tenants in Hong Kong are facing substantial business drop and temporary closure as a result of COVID-19. In response of these, the Group granted rent concessions to some tenants and the rental income from the Group’s commercial properties decreased that in return have impacts over the fair value of the Group’s investment properties.

Besides, the residential and industrial properties held by the associates for leasing and sales are also affected where the income from rental and sales for the associates are reduced.

(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, 2021 are the same as those presented in the Group's annual financial statements for the year ended 31st December, 2020.

Application of amendments to 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, 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	COVID-19 Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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,	
	2021	2020
	HK\$'000	HK\$'000
Rental income from investment properties that is fixed	14,048	23,952
Estate management fees	2,630	2,793
Dividend income from equity instrument at fair value through other comprehensive income ("FVTOCI")	1,500	1,500
	<u>18,178</u>	<u>28,245</u>

Revenue from estate management fees is recognised over time. The Group applied the practical expedient in HKFRS 15 "Revenue from Contracts with Customers" 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, 2021 and 2020 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, 2021, 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\$3,822,042,000 and HK\$62,301,000 (31st December, 2020: HK\$3,856,479,000 and HK\$59,438,000) respectively. During the current interim period, the total revenue derived from Hong Kong and the PRC are HK\$17,523,000 and HK\$655,000 (six months ended 30th June, 2020: HK\$27,559,000 and HK\$686,000) respectively.

(5) Other income

	(Unaudited)	
	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
Bank interest income	327	1,469
Loan interest income	8,712	11,525
Government grants	(16)	187
Interest income from other receivables	124	116
Interest income from financial assets at FVTPL	2,165	–
Income from forfeited tenants' deposits	–	96
Other	5	–
	<u>11,317</u>	<u>13,393</u>

During the current interim period, a penalty of government grants, amounted to HK\$16,000, in respect of COVID-19 related subsidies, which related to the Employment Support Scheme was paid to HKSAR (six months ended 30th June, 2020: received government grant of HK\$187,000).

(6) Other gains and losses

	(Unaudited)	
	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
Net exchange gain (loss)	<u>633</u>	<u>(1,870)</u>

(7) Income tax expenses

	(Unaudited)	
	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
Current period	2,824	2,833
Over provision in prior years	(40)	(79)
	<u>2,784</u>	<u>2,754</u>
Deferred taxation	<u>(1,578)</u>	<u>(662)</u>
Income tax expenses for the period	<u>1,206</u>	<u>2,092</u>

(8) (Loss) profit for the period

	(Unaudited)	
	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
(Loss) profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	71	50
Direct operating expenses of investment properties that generated rental income	4,460	4,469
Direct operating expenses of investment properties that did not generate rental income	197	153
	<u>197</u>	<u>153</u>

(9) Dividend

	(Unaudited)	
	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
Dividend recognised as distributions during the period:		
An interim dividend (in lieu of a final dividend) for 2019 paid of HK2.5 cents per share	-	31,026
	<u>-</u>	<u>31,026</u>

The Board has resolved not to declare any interim dividend for the six months ended 30th June, 2021 (six months ended 30th June, 2020: Nil).

(10) (Loss) earnings per share

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

	(Unaudited)	
	Six months ended 30th June,	
	2021	2020
	HK\$'000	HK\$'000
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share ((loss) profit for the period attributable to the owners of the Company)	(48,795)	6,673

	(Unaudited)	
	Six months ended 30th June,	
	2021	2020
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic (loss) earnings per share	1,240,669	1,240,937

Number of shares

Number of ordinary shares for the purpose of basic (loss) earnings per share

The weighted average number of ordinary shares for the purpose of basic (loss) earnings per share has been adjusted for repurchase and cancellation of shares during the six months ended 30th June, 2020. No diluted (loss) earnings per share for both 2021 and 2020 were presented as there were no potential ordinary shares in issue for both 2021 and 2020.

(11) Trade and other receivables, prepayments and deposits

	(Unaudited)	(Audited)
	30th June,	31st December,
	2021	2020
	HK\$'000	HK'000
Trade receivables	16,186	18,120
Other receivables	9,713	14,693
Prepayments and deposits	1,409	1,832
	27,308	34,645

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,
	2021	2020
	HK\$'000	HK'000
Within 30 days	12,288	14,697
31-60 days	915	819
61-90 days	876	968
Over 120 days	2,107	1,636
	16,186	18,120

(12) Creditors and accruals

	(Unaudited) 30th June, 2021 <i>HK\$'000</i>	(Audited) 31st December, 2020 <i>HK\$'000</i>
Trade creditors	334	193
Other creditors	9,851	9,561
Tenants deposits	11,350	12,778
Accrued operating expenses	2,936	3,323
	<u>24,471</u>	<u>25,855</u>

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

	(Unaudited) 30th June, 2021 <i>HK\$'000</i>	(Audited) 31st December, 2020 <i>HK\$'000</i>
Within 30 days	319	193
Over 120 days	15	–
	<u>334</u>	<u>193</u>

(13) Events after the end of the reporting period

On 2nd August, 2021, the Group entered into a sale and purchase agreement with a direct wholly-owned subsidiary of Tian An China Investments Company Limited, to sell the Group's interests in associates which are private companies incorporated in Hong Kong through the disposal of the entire issued share capital and shareholder's loan of an investment holding company, a wholly-owned subsidiary of the Group, at the consideration of HK\$1,080,000,000. Upon completion, the Group will not own any interests in these associates and the Board shall apply the proceeds from the potential disposal and the distributable profit to declare a special dividend of HK\$0.95 per share. The preliminary estimated loss of the disposal is approximately of HK\$1,480,647,000 based on the consolidated unaudited net asset value as at 30th April, 2021. The sale and purchase agreement is subject to the approval of the independent shareholders of the Company at an extraordinary general meeting and several conditions precedent to be fulfilled. The proposed disposal has not completed as at the report date.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group recorded a revenue of HK\$18,178,000 for the six months ended 30th June, 2021, which represented a decrease of approximately HK\$10,067,000 or 35.64% as compared with the same period in 2020. The decrease in revenue was mainly attributable to a reduction in rental income. The loss for the six months ended 30th June, 2021 was HK\$48,795,000 (2020: profit for the period of HK\$6,673,000). The decrease in profit was mainly the results of:

- (1) a decrease in rental income from investment properties;
- (2) an increase in fair value loss of investment properties;
- (3) an increase in share of loss of associates; and
- (4) an increase in impairment losses on loan and interest receivables

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, 2021, the Group's commercial properties situated at Harbour Crystal Centre recorded an average occupancy level of approximately 99%, but the performance of rental income was not so good as expected. Following the coronavirus pandemic in Hong Kong, retail business in Harbour Crystal Centre was seriously affected. As a result, the Group has granted rent concession in average around 50% of the original rents to some tenants depending on the trades and mandatory closure period of premises since January 2020 resulting a decrease in rental income from Harbour Crystal Centre.

In respect of the residential properties held by the associate (33.33% owned) situated at The Redhill Peninsula, 1 house was sold and 1 house was completed during the period ended 30th June 2021 where 3 houses will be completed in the second half of 2021 and 2022. The remaining 30 houses are being launched for lease and sale in batches in the second half of 2021.

The Group's industrial properties situated at Ap Lei Chau, Hong Kong, the Harbour Industrial Centre and the Oceanic Industrial Centre held by the associate (33.33% owned) recorded an average occupancy level of approximately 55% and the rental income was performed moderately.

Financial Review

Group Assets and Charges

The total assets of the Group have decreased from HK\$4,544,502,000 as at 31st December, 2020 to HK\$4,515,584,000 as at 30th June, 2021. The net assets of the Group have decreased from HK\$4,345,919,000 as at 31st December, 2020 to HK\$4,294,973,000 as at 30th June, 2021. At 30th June, 2021, no investment properties of the Group in Hong Kong (31st December, 2020: 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\$198,583,000 as at 31st December, 2020 to HK\$220,611,000 as at 30th June, 2021. The Group had cash and bank balances of HK\$253,862,000 as at 30th June, 2021 (31st December, 2020: HK\$186,175,000). The ratio of total liabilities to total assets was approximately 4.89% (2020: 4.37%). As at 30th June, 2021, the Group had no bank loans (31st December, 2020: Nil) and the total equity was HK\$4,294,973,000 (31st December, 2020: HK\$4,345,919,000).

As at 30th June, 2021, the current assets of the Group, amounting to HK\$448,181,000 (31st December, 2020: HK\$445,823,000), which exceeded its current liabilities by HK\$393,186,000 (31st December, 2020: HK\$414,089,000).

For the six months ended 30th June, 2021, 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, 2021, the Group, excluding associated companies, employed 32 (31st December, 2020: 29) 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 PANDEMIC RESPONSE

COVID-19 continued to spread around the world during the first half of 2021. In addition to carrying on preventative protocols, vaccination incentives are also provided to help the Company resume more normal business and social activities.

The protocols 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:

- measures to maximise 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 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
- maintain inventory of face masks, hand sanitiser and hygiene supplies and increased focus on cleaning and sanitation.

Business Outlook

We expect the surge in COVID-19 vaccination rate in Hong Kong will have a marginally positive effect on the businesses in the Group's retail space in Harbour Crystal Centre (portion) for the remainder of the year. Our tenants in the food and beverage industry in particular should see further improvements to their business. However, those tenants that depend on shoppers from mainland China for the bulk of their revenue will continue to see a very difficult trading environment due to the border with the mainland now expected not to re-open fully this year.

The positive turnaround in sentiment in the local residential property market since early this year should continue given the low interest rate environment. Recent transactions at close to record prices for luxury houses and new properties in the Southern District should also give support for the Group's joint venture Redhill Peninsula.

Office and industrial rental markets should continue to be under pressure though partly as a result of lower demand from mainland Chinese companies. This will have a continued negative impact on the Group's joint ventures in Harbour Industrial Centre (portion) and Oceanic Industrial Centre (portion) and in the Group's office space in Billion Centre.

Overall, we are still optimistic over the long-term prospects for the Hong Kong property market and will actively evaluate available opportunities in this generally difficult market.

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, 2021 (2020: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2021, 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 Listing Rules, except for certain deviations which are summarised below:

(1) 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, 2020. 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.

(2) Code Provision E.1.2

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

Mr. Patrick Lee Seng Wei (“Mr. Lee”, the Chairman of the Board), due to other business engagements, was unable to attend the annual general meeting of the Company held on 17th May, 2021 (“AGM”). Despite his absence, Mr. Lee had reviewed all the documents and procedures of the AGM before the meeting, and all records and minutes of the AGM have been circulated to Mr. Lee after the meeting for information. Moreover, Mr. Lee Shu Yin, the Chief Executive of the Company, who attended and chaired the meeting as Mr. Lee’s delegate in the Board, and the chairmen of the audit, remuneration and nomination committees were present thereat and were available to answer questions to ensure effective communication with the shareholders of the Company.

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, 2021. 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, 2021.

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

Hong Kong, 19th August, 2021

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.