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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, 2024

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, 2024 with the comparative figures for the corresponding period in 2023 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30th June, 2024

	Notes	(Unaudited)	
		Six months ended 30th June,	
		2024	2023
		HK\$'000	HK\$'000
Revenue	(4)	24,213	22,788
Other income	(5)	6,503	7,407
Other loss	(6)	(4)	(418)
Rent and rates		(1,679)	(706)
Building management fees		(3,612)	(3,595)
Staff costs (including directors' emoluments)		(4,901)	(5,037)
Depreciation and amortisation		(48)	(93)
Repairs and maintenance		(830)	(1,667)
Other expenses		(4,544)	(6,176)
Finance costs		(17,668)	–
Operating (loss) profit before change in fair value of investment properties and financial instruments and reversal of impairment losses under expected credit loss model, net		(2,570)	12,503
(Loss) gain from change in fair value of investment properties		(12,790)	6,046
Reversal of impairment losses under expected credit loss model, net		215	1,865
Net decrease in fair value of financial assets at fair value through profit or loss		(603)	(2,738)
(Loss) profit before taxation		(15,748)	17,676
Income tax expense	(7)	(1,289)	(3,169)
(Loss) profit for the period	(8)	(17,037)	14,507
		HK cents	HK cents
(Loss) earnings per share			
Basic	(10)	(1.37)	1.17

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

for the six months ended 30th June, 2024

	(Unaudited)	
	Six months ended 30th June,	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit for the period	<u>(17,037)</u>	<u>14,507</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	(2,760)	(1,860)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	<u>–</u>	<u>(1,650)</u>
Other comprehensive expense for the period, net of tax	<u>(2,760)</u>	<u>(3,510)</u>
Total comprehensive (expense) income for the period	<u>(19,797)</u>	<u>10,997</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30th June, 2024

		(Unaudited) 30th June, 2024	(Audited) 31st December, 2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current Assets			
Property, plant and equipment		382	430
Investment properties		2,259,580	2,269,160
Interests in an associate		–	–
Equity instrument at fair value through other comprehensive income		29,130	31,890
Club memberships		4,261	4,261
		2,293,353	2,305,741
Current Assets			
Trade and other receivables, prepayments and deposits	(11)	16,052	15,415
Loan receivables		77,803	77,910
Financial assets at fair value through profit or loss		58,930	73,902
Income tax recoverable		128	505
Cash and cash equivalents		112,881	130,495
		265,794	298,227
Current Liabilities			
Creditors and accruals	(12)	27,960	34,289
Income tax payable		3,890	1,852
		31,850	36,141
Net Current Assets		233,944	262,086
Total Assets less Current Liabilities		2,527,297	2,567,827

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
at 30th June, 2024

	(Unaudited) 30th June, 2024	(Audited) 31st December, 2023
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and Reserves		
Share capital	681,899	681,899
Reserves	1,121,055	1,140,852
	<hr/>	<hr/>
Total Equity	1,802,954	1,822,751
	<hr/>	<hr/>
Non-current Liabilities		
Deferred tax liabilities	144,343	145,076
Other borrowings	580,000	600,000
	<hr/>	<hr/>
	724,343	745,076
	<hr/>	<hr/>
	2,527,297	2,567,827
	<hr/>	<hr/>

Notes:

(1) Reviewed by auditor

The interim financial report of the Group for the six months ended 30th June, 2024 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 the applicable disclosure requirements of Appendix D2 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, 2023 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 at the end of each reporting period.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31st December, 2023.

(3) **Principal accounting policies** (*continued*)

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 Group’s annual period beginning on 1st January, 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the 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 the condensed consolidated financial statements.

(4) **Revenue and segment information**

	(Unaudited)	
	Six months ended 30th June,	
	2024	2023
	<i>HK\$’000</i>	<i>HK\$’000</i>
Rental income from investment properties that is fixed	20,504	18,878
Estate management fees	2,509	2,560
Dividend income from equity instrument at fair value through other comprehensive income	1,200	1,350
	<u>24,213</u>	<u>22,788</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. As permitted under HKFRS 15, the transaction price of estate management services allocated to the remaining performance obligations as at 30th June, 2024 and 2023 is not disclosed.

(4) Revenue and segment information (continued)

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, 2024, other than financial instruments, the total of non-current assets located in Hong Kong and the People's Republic of China ("PRC") are HK\$2,263,612,000 and HK\$611,000 (31st December, 2023: HK\$2,273,240,000 and HK\$611,000) respectively. During the current interim period, the total revenue derived from Hong Kong and the PRC are HK\$24,213,000 and Nil (six months ended 30th June, 2023: HK\$22,219,000 and HK\$569,000) respectively.

(5) Other income

	(Unaudited)	
	Six months ended 30th June,	
	2024	2023
	HK\$'000	HK\$'000
Bank interest income	2,398	2,772
Loan interest income	2,236	3,778
Interest income from other receivables	149	144
Management fee income from ultimate holding company	210	150
Management fee income from intermediate holding company	610	555
Others	900	8
	<u>6,503</u>	<u>7,407</u>

(6) Other loss

	(Unaudited)	
	Six months ended 30th June,	
	2024	2023
	HK\$'000	HK\$'000
Net exchange loss	4	418
	<u>4</u>	<u>418</u>

(7) Income tax expense

	(Unaudited)	
	Six months ended 30th June,	
	2024	2023
	HK\$'000	HK\$'000
The charge comprises:		
Current period		
– Hong Kong Profits Tax	2,040	1,186
– PRC Enterprise Income Tax	–	26
	2,040	1,212
Overprovision in prior years		
– Hong Kong Profits Tax	(18)	–
	2,022	1,212
Deferred taxation	(733)	1,957
Income tax expense for the period	1,289	3,169

(8) (Loss) profit for the period

	(Unaudited)	
	Six months ended 30th June,	
	2024	2023
	HK\$'000	HK\$'000
(Loss) profit for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	48	93
Direct operating expenses of investment properties that generated rental income	4,540	6,283
Direct operating expenses of investment properties that did not generate rental income	2,201	135

(9) Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30th June, 2024 (six months ended 30th June, 2023: 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,	
	2024	2023
	HK\$'000	HK\$'000
(Loss) earnings		
(Loss) earnings for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	<u>(17,037)</u>	<u>14,507</u>

	(Unaudited)	
	Six months ended 30th June,	
	2024	2023
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic (loss) earnings per share	<u>1,240,669</u>	<u>1,240,669</u>

No diluted (loss) earnings per share for both 2024 and 2023 were presented as there were no potential ordinary shares in issue for both 2024 and 2023.

(11) Trade and other receivables, prepayments and deposits

	(Unaudited)	(Audited)
	30th June,	31st December,
	2024	2023
	HK\$'000	HK'000
Trade receivables	4,316	6,223
Other receivables	9,479	6,785
Prepayments and deposits	<u>2,257</u>	<u>2,407</u>
	<u>16,052</u>	<u>15,415</u>

(11) Trade and other receivables, prepayments and deposits (continued)

Trade receivables represent rental receivable which are receivable on the presentation of debit notes. 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, 2024 <i>HK\$'000</i>	(Audited) 31st December, 2023 <i>HK'000</i>
Within 30 days	2,953	5,109
31-60 days	449	579
61-90 days	518	–
91-180 days	396	535
	<u>4,316</u>	<u>6,223</u>

(12) Creditors and accruals

	(Unaudited) 30th June, 2024 <i>HK\$'000</i>	(Audited) 31st December, 2023 <i>HK'000</i>
Trade creditors	560	474
Other creditors	9,056	14,489
Tenants deposits	15,175	15,394
Accrued operating expenses	3,169	3,932
	<u>27,960</u>	<u>34,289</u>

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

	(Unaudited) 30th June, 2024 <i>HK\$'000</i>	(Audited) 31st December, 2023 <i>HK'000</i>
Within 30 days	544	459
31-60 days	1	–
Over 180 days	15	15
	<u>560</u>	<u>474</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Results

The Group recorded a revenue of HK\$24,213,000 for the six months ended 30th June, 2024, which represented an increase of approximately HK\$1,425,000 or 6% as compared with the same period in 2023. The loss for the six months ended 30th June, 2024 was HK\$17,037,000 (2023: profit for the period of HK\$14,507,000). The change in the financial performance of the Group was primarily attributable to:

- (1) a fair value loss of investment properties of HK\$12,790,000 for the reporting period as compared with a fair value gain of investment properties of HK\$6,046,000 for the corresponding period of last year; and
- (2) the finance costs of HK\$17,668,000 recorded for the reporting period arising from other borrowings, whereas there was no finance cost incurred for the six months ended 30th June, 2023.

Business Review

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

For the period ended 30th June, 2024, the Group's commercial properties situated at Harbour Crystal Centre recorded an average occupancy level of approximately 93.7% and the performance of rental income was satisfactory.

The recent acquisition of a shopping arcade, Concord Square is currently under refurbishment and it is expected to operate in the first half of 2025.

Financial Review

Group Assets and Charges

The total assets of the Group have decreased from HK\$2,603,968,000 as at 31st December, 2023 to HK\$2,559,147,000 as at 30th June, 2024. The net assets of the Group have decreased from HK\$1,822,751,000 as at 31st December, 2023 to HK\$1,802,954,000 as at 30th June, 2024. At 30th June, 2024, carrying value of investment properties of the Group of HK\$1,266,000,000 (31st December, 2023: HK\$1,270,000,000) in Hong Kong were pledged as security for an other borrowing which is granted to an indirect wholly-owned subsidiary of the Group. The Group has no bank loan, but will undergo a discussion with the bank for the renewal 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 decreased from HK\$781,217,000 as at 31st December, 2023 to HK\$756,193,000 as at 30th June, 2024. The Group had cash and bank balances of HK\$112,881,000 as at 30th June, 2024 (31st December, 2023: HK\$130,495,000) which were mainly denominated in Hong Kong dollars. The ratio of total liabilities to total assets was approximately 30% (31st December, 2023: 30%). As at 30th June, 2024, the Group had other borrowings of HK\$580,000,000 (31st December, 2023: HK\$600,000,000) included in non-current liabilities but no bank loans (31st December, 2023: Nil) and the total equity was HK\$1,802,954,000 (31st December, 2023: HK\$1,822,751,000). The gearing ratio (net debt over total equity) of the Group was 26% (31st December, 2023: 26%).

The Group's other borrowings are interest-bearing at floating rates, mature between two to five years and are denominated in Hong Kong dollars which will be repaid in the same currency.

To maintain flexible and sufficient cashflow, the Group intends to obtain proper bank and other borrowings with reasonable pricing terms. The management continuously monitors the gearing ratio and raises new external borrowings when necessary.

For the six months ended 30th June, 2024, the Group had no material exposure to fluctuations in exchange rates and no related hedges.

Material Lending Transaction

The Group focuses on property investment, property leasing and estate management as its principal business, and a limited number of transactions may be carried out by the Group as part of its treasury activities with the intention to effectively utilise its available financial resources on hand from time to time, including (i) subscription of loan notes for investment purpose; and (ii) grant of loans to borrowers, both of which contributed to the loan interest income of the Group. Taking advantage of its cash position and after considering the working capital needs, available business and investment opportunities, a comparison between the fixed deposit interest rate at the material time and the expected rate of return of alternative use of such cash resources, the Group will allocate its resources accordingly with the intention to enhance the returns of its shareholders, including subscribing loan notes as well as providing short term loans.

Loan notes, being investment products, are normally issued by the issuer to multiple subscribers, and the Group subscribes such loan notes for investment purpose which are generally available for trading in the financial market. By contrast, short-term loans which are granted by the Group to borrowers are not investment products, nor they are available for trade. The short-term loans are structured to allow the Group to demand repayment from the borrower at any time. Therefore, while such loans bring in interest income for the Group, it provides certain level of liquidity flexibility to the Group to improve and enhance its financial position quickly, and can use its resources to fund its business activities when favourable opportunities arise. During the period, the Group did not grant any loans to borrowers.

The Group will ensure that it has sufficient working capital for its business operations after the allocation of its resources as above mentioned.

Material Acquisition and Disposals

The Group has no material acquisitions and disposals of subsidiaries, associates and joint ventures during the period of the six months ended 30th June, 2024 and up to the date of this announcement.

Significant Investments

The Group did not have any significant investment which accounted for more than 5% of the Group's total assets as at 30th June, 2024.

Contingent Liabilities

The Group is not aware of any material contingent liabilities as at 30th June, 2024.

Event after the Reporting Date

There are no important events affecting the Group which have occurred after the end of the reporting period ended 30th June, 2024 and up to the date of this announcement.

Employees

As at 30th June, 2024, the Group employed 30 (31st December, 2023: 31) persons, 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

While challenges in the Hong Kong retail property market are expected to persist in the foreseeable future, we anticipate signs of recovery as we move towards the end of the year. Interest rate cuts, expected to materialise in the latter half of 2024, should provide a boost to the overall Hong Kong economy, potentially increasing household disposable income and stimulating retail spending.

The lowering of interest rates is also expected to support the capital values of our properties, providing stability to our asset base. This may also create a more favorable environment for the Group's two shopping malls Harbour Crystal Centre (portion) and Concord Square, potentially leading to improved occupancy rates and tenant sales as consumer confidence gradually rebuilds. We will closely monitor these trends and adjust our leasing strategies accordingly to capitalize on any upturn in the retail market.

As we enter the final stages of the refurbishment project for Concord Square (to be renamed Laneway), we anticipate increased leasing activity and interest from potential tenants. The expected rental income from this property should support significant revenue growth in 2025. Additionally, we remain alert to acquisition opportunities in the retail commercial property market, ready to act on any exceptionally discounted assets that align with our long-term strategy.

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, 2024 (2023: Nil).

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2024, 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 C1 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, 2023 and remain unchanged. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the relevant 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, 2024. 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, 2024.

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

Hong Kong, 22nd August, 2024

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, Ms. Lisa Yang Lai Sum and Mr. Cheng Chi Kin being the Independent Non-Executive Directors.