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SOUTHEAST ASIA PROPERTIES & FINANCE LIMITED

華信地產財務有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 252)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Southeast Asia Properties & Finance Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2021 (the “Reporting Period”), together with the comparative figures of the corresponding period in 2020 (the “Previous Reporting Period”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2021

	Notes	Six months ended 30 September	
		2021 HK\$ (Unaudited)	2020 HK\$ (Unaudited)
Revenue	5	124,659,453	126,964,535
Cost of sales		(83,644,718)	(81,761,420)
Gross profit		41,014,735	45,203,115
Other revenue and other income		2,340,369	4,424,912
Gain/(Loss) arising from change in fair value of investment properties		51,046,782	(33,470,689)
Loss arising from financial assets at fair value through profit or loss (“FVTPL”)		(2,671,695)	(1,492,810)
Selling and distribution expenses		(3,891,244)	(2,873,404)
Administrative expenses		(24,877,100)	(24,736,856)
Other operating expenses		(250,574)	(426,905)
Finance costs	6	(2,372,633)	(4,192,772)
Share of results of associates		(690,638)	924,662
Impairment loss recognised in respect of amount due from an associate		(4,994,857)	(1,467,662)
Profit/(Loss) before tax		54,653,145	(18,108,409)
Income tax expense	7	(2,365,985)	(4,162,177)
Profit/(Loss) for the period	8	52,287,160	(22,270,586)
Attributable to:			
Owners of the Company		51,222,830	(22,164,354)
Non-controlling interests		1,064,330	(106,232)
		52,287,160	(22,270,586)
Earnings/(Loss) per share attributable to owners of the Company			
Basic and diluted (<i>HK cents</i>)	10	22.7	(9.8)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Six months ended 30 September	
	2021 <i>HK\$</i> (Unaudited)	2020 <i>HK\$</i> (Unaudited)
Profit/(Loss) for the period	52,287,160	(22,270,586)
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>1,674,856</u>	<u>3,721,300</u>
Other comprehensive income for the period	<u>1,674,856</u>	<u>3,721,300</u>
Total comprehensive income/(loss) for the period	<u>53,962,016</u>	<u>(18,549,286)</u>
Attributable to:		
Owners of the Company	<u>52,804,267</u>	<u>(18,686,947)</u>
Non-controlling interests	<u>1,157,749</u>	<u>137,661</u>
	<u>53,962,016</u>	<u>(18,549,286)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

	30 September 2021 <i>HK\$</i> (Unaudited)	31 March 2021 <i>HK\$</i> (Audited)
	<i>Notes</i>	
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	157,096,982	153,222,523
Right-of-use assets	13,484,955	14,281,194
Investment properties	857,437,600	805,236,720
Interests in associates	14,378,673	14,422,890
Loan receivable	9,659,076	–
Intangible assets	3,501,501	3,702,706
Other assets	2,935,719	2,962,454
Financial asset at fair value through other comprehensive income (“FVOCI”) (non-recycling)	65,000,000	15,000,000
Deposits and prepayments	42,183,922	17,895,490
Deferred tax assets	2,837,737	2,671,782
	<u>1,168,516,165</u>	<u>1,029,395,759</u>
Current assets		
Inventories	53,769,122	48,929,873
Trade and other receivables	11 164,061,098	120,233,466
Deposits and prepayments	5,123,641	5,812,334
Tax recoverable	335,083	251,736
Restricted cash	4,100,000	4,100,000
Financial assets at FVTPL	25,365,500	22,502,500
Trust accounts of shares dealing clients	92,740,439	91,918,726
Cash and cash equivalents	63,241,985	159,575,769
	<u>408,736,868</u>	<u>453,324,404</u>

		30 September	31 March
		2021	2021
		HK\$	HK\$
	<i>Notes</i>	(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	12	136,297,884	134,382,272
Contract liabilities		1,082,573	1,421,221
Bank loans		148,235,276	106,869,971
Amount due to an associate		1,536,644	666,695
Lease liabilities		336,591	1,005,704
Tax payables		5,613,615	4,524,637
		293,102,583	248,870,500
Net current assets		115,634,285	204,453,904
Total assets less current liabilities		1,284,150,450	1,233,849,663
Non-current liabilities			
Bank loans		164,174,694	168,279,062
Amount due to a non-controlling interest		3,220,000	3,170,000
Deferred tax liabilities		13,583,975	13,190,836
		180,978,669	184,639,898
Net assets		1,103,171,781	1,049,209,765
EQUITY			
Share capital		245,062,941	245,062,941
Reserves		845,746,583	792,942,316
Equity attributable to owners of the Company		1,090,809,524	1,038,005,257
Non-controlling interests		12,362,257	11,204,508
Total equity		1,103,171,781	1,049,209,765

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1. GENERAL INFORMATION

The Company is a limited liability company incorporated and domiciled in Hong Kong. The address of its registered office is Units 407-410, 4th Floor, Tower 2, Silvercord, No. 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong and, its principal place of business is Hong Kong and the People's Republic of China (the "PRC"). The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Group include investment holding, property investment, development and leasing, hotel operation, manufacturing and distribution of plastic packaging materials and broking and securities margin financing.

The consolidated financial statements are presented in Hong Kong dollar ("HK\$"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (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 (the "Listing Rules").

The financial information relating to the year ended 31 March 2021 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 March 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622).

The Company's auditors 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 Companies Ordinance.

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties, financial asset at FVOCI (non-recycling) and financial assets at FVTPL, which are measured at fair value.

The condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2021.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 March 2021 except as stated below.

The adoption of amendments to standards and framework

The Group adopted the following amendments to standards and framework, which are relevant to its operations.

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

The above amendments to standards and framework did not have significant impact on the Group's accounting policies and did not require retrospective adjustments.

4. SEGMENT INFORMATION

The Group determines operating segments based on internal reports that are regularly reviewed by the chief operating decision maker (“CODM”) for the purpose of resource allocation and assessment of segment performance between segments and that are used to make strategic decisions.

The CODM has been identified as the directors of the Company. The CODM review the Group's internal reporting for the purposes of resources allocation and the assessment of segment performance and have determined the operating segments based on these reports.

The CODM consider the business from both a geographic and product perspective. From geographic and product perspective, the CODM assess as the performance of (i) property investment, development and leasing/hotel operation, (ii) manufacturing and distribution of plastic packaging materials and (iii) broking and securities margin financing.

In a manner consistent with the way in which information is reported internally to the CODM for the purposes of resources allocation and assessment of segment performance, the Group is currently organised into the following operating segments:

Property investment, development and leasing/hotel operation	Provision of hotel services in Hong Kong and investing, developing and leasing properties in Hong Kong and the PRC
Manufacturing and distribution of plastic packaging materials	Manufacturing and distribution of plastic packaging materials
Broking and securities margin financing	Provision of stock and futures broking and provision of securities margin financing

(I) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment.

	Property investment, development and leasing/hotel operation		Manufacturing and distribution of plastics packaging materials		Broking and securities margin financing		Consolidated	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	<u>6,332,571</u>	<u>10,415,997</u>	<u>107,599,251</u>	<u>107,292,171</u>	<u>10,727,631</u>	<u>9,256,367</u>	<u>124,659,453</u>	<u>126,964,535</u>
Segment results	(3,571,343)	(2,258,370)	13,819,609	20,910,295	1,416,225	1,446,127	11,664,491	20,098,052
Gain/(Loss) arising from change in fair value of investment properties	<u>51,046,782</u>	<u>(33,470,689)</u>	-	-	-	-	<u>51,046,782</u>	<u>(33,470,689)</u>
Profit/(Loss) from operations	47,475,439	(35,729,059)	13,819,609	20,910,295	1,416,225	1,446,127	62,711,273	(13,372,637)
Unallocated finance costs							(2,372,633)	(4,192,772)
Share of results of associates							(690,638)	924,662
Impairment loss recognised in respect of amount due from an associate							<u>(4,994,857)</u>	<u>(1,467,662)</u>
Profit/(Loss) before tax							54,653,145	(18,108,409)
Income tax expense							<u>(2,365,985)</u>	<u>(4,162,177)</u>
Profit/(Loss) for the period							<u>52,287,160</u>	<u>(22,270,586)</u>

Segment revenue reported above represents revenue generated from external customers.

Segment results represent the profit earned by each segment without allocation of finance costs, share of results of associates, impairment loss recognised in respect of amount due from an associate and income tax expense. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

There is no inter-segment sales during both periods.

(II) Geographical segment

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of non-current assets is based on the physical location of the assets.

	Revenue from external customers	
	Six months ended 30 September	
	2021	2020
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Hong Kong	42,201,215	43,507,837
Japan	24,210,875	29,134,384
Oceania	21,326,053	19,430,818
PRC	19,201,481	19,679,133
Europe	7,998,677	8,886,654
North America	9,721,152	6,325,709
	<u>124,659,453</u>	<u>126,964,535</u>
	Non-current assets (Note)	
	30 September	31 March
	2021	2021
	HK\$	HK\$
	(Unaudited)	(Audited)
Hong Kong	964,528,704	899,102,042
PRC	92,850,330	94,257,394
	<u>1,057,379,034</u>	<u>993,359,436</u>

Note: Non-current assets excluded refundable investment deposit, amounts due from associates, financial asset at FVOCI and deferred tax assets.

5. REVENUE

The Group's principal activities are disclosed in note 1 to the condensed consolidated financial statements.

The Group's revenue recognised during the period is as follows:

	Six months ended 30 September	
	2021	2020
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods	107,599,251	107,292,171
Brokerage commission	4,404,764	5,182,012
Hotel accommodation income	–	525,351
	<u>112,004,015</u>	<u>112,999,534</u>
Revenue from other sources		
Rental income and rental related income	6,332,571	9,890,646
Interest income received from clients	4,707,121	3,530,636
Dividend income from listed equity securities	1,615,746	543,719
	<u>12,655,438</u>	<u>13,965,001</u>
Total revenue	<u>124,659,453</u>	<u>126,964,535</u>

Disaggregation of revenue from contracts with customers with the scope of HKFRS 15

The Group derives revenue from the transfer of goods and services over time and at a point in time as following:

	Six months ended 30 September	
	2021	2020
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
A point in time	112,004,015	112,474,183
Over time	–	525,351
	<u>112,004,015</u>	<u>112,999,534</u>
Revenue from contracts with customers	<u>112,004,015</u>	<u>112,999,534</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2021	2020
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Interest expenses on:		
Bank loans	2,228,403	3,906,694
Other borrowings	17,398	34,946
Finance charges on lease liabilities	5,888	12,366
Bank charges	120,944	238,766
	<u>2,372,633</u>	<u>4,192,772</u>

7. INCOME TAX EXPENSE

The income tax expense is as follows:

	Six months ended 30 September	
	2021	2020
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Current tax:		
Provision for the period	2,138,801	3,565,130
Deferred tax charge	<u>227,184</u>	<u>597,047</u>
Total income tax expense for the period	<u>2,365,985</u>	<u>4,162,177</u>

The provision for Hong Kong Profits Tax for both periods are calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK\$2 million are taxed at 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

8. PROFIT/(LOSS) FOR THE PERIOD

Profit/(Loss) for the period has been arrived at after charging/(crediting):

	Six months ended 30 September	
	2021	2020
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Cost of inventories sold	67,064,434	62,500,523
Direct operating expenses for generating rental income	1,126,855	1,259,913
Depreciation:		
– Property, plant and equipment	4,997,157	6,039,314
– Right-of-use assets	923,248	889,088
	<u>5,920,405</u>	<u>6,928,402</u>
Gain on disposal of financial assets at FVTPL	(51,426)	(413,211)
Loss on change in fair value of financial assets at FVTPL	2,723,121	1,906,021
	<u>2,671,695</u>	<u>1,492,810</u>
Bad debt recovered	(24,000)	(15,783)
Write off of property, plant and equipment	–	355,234
Exchange loss, net	200,801	415,873
Staff costs (including directors' emoluments):		
– Salaries, wages and allowances	20,513,549	21,063,902
– Staff benefits	589,035	474,215
– Contributions to retirement benefits scheme	1,302,998	527,435
	<u>22,405,582</u>	<u>22,065,552</u>

9. DIVIDENDS

The Board does not recommend the payment of any interim dividends for the Reporting Period (Previous Reporting Period: nil).

Final dividends relating to the year ended 31 March 2021 amounting to HK\$6,762,601 were paid in October 2021.

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share is based on the profit attributable to owners of the Company of HK\$51,222,830 (Previous Reporting Period: loss attributable to owners of the Company of HK\$22,164,354) and on the weighted average 225,420,034 (Previous Reporting Period: 225,420,034) ordinary shares in issue during the both periods.

The diluted earnings/(loss) per share for the Reporting Period and Previous Reporting Period were the same as basic earnings/(loss) per share as there were no dilutive potential ordinary shares in existence for both periods.

11. TRADE AND OTHER RECEIVABLES

The Group's trade receivables arose from (i) property investment development and leasing, (ii) manufacturing and distribution of plastic packaging materials, and (iii) broking and securities margin financing.

	30 September 2021 HK\$ (Unaudited)	31 March 2021 HK\$ (Audited)
Trade receivables arising from broking and securities margin financing:		
– Clearing house and cash clients	23,164,893	8,853,275
– Secured margin clients	111,368,377	84,421,554
Less: Expected credit loss (“ECL”) allowance	(31,149)	(31,149)
	134,502,121	93,243,680
Trade receivables from sales of goods and leasing	26,976,621	25,541,918
Less: ECL allowance	(497,385)	(497,385)
	26,479,236	25,044,533
Other receivables	3,079,741	1,945,253
	164,061,098	120,233,466

The directors of the Group consider that the fair values of trade and other receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The Group allows a credit period up to the respective settlement dates for securities transactions (normally two business days after the respective trade date for cash clients). Each secured margin client has a credit limit.

At 30 September 2021, trade receivables from cash clients and secured margin clients of HK\$2,631,750 (31 March 2021: HK\$1,801,648) were due from key management personnel.

Trade receivables of manufacturing and distribution of plastic packaging materials fall into the general credit term ranged from 0–90 days except for a credit period mutually agreed between the Group and the customers.

Aging analysis

The following is an aging analysis of trade receivables of the Group arose from sales of goods and leasing, presented based on the invoice date, which approximates the respective revenue recognition dates and net of ECL allowance:

	30 September 2021 HK\$ (Unaudited)	31 March 2021 HK\$ (Audited)
0–30 days	21,699,727	11,750,838
31–60 days	2,100,076	4,501,644
Over 60 days	2,679,433	8,792,051
	<u>26,479,236</u>	<u>25,044,533</u>

Margin loans due from margin clients are repayable on demand. Margin loans are required to be secured by clients' listed securities held by the Group as collateral and bear interest at 8.5% for the Reporting Period (31 March 2021: 8.5%). The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group. At 30 September 2021, the total market value of securities pledged as collateral by the customers in respect of the loans to margin clients was HK\$202,577,482 (31 March 2021: HK\$192,255,409).

No aging analysis of receivables from cash clients and loans to margin clients is disclosed as in the opinion of the directors, the aging analysis does not give additional value in view of the nature of business.

12. TRADE AND OTHER PAYABLES

The Group's trade payables arose from manufacturing and distribution of plastic packaging materials and broking and securities margin financing.

	30 September 2021 HK\$ (Unaudited)	31 March 2021 HK\$ (Audited)
Trade payables to:		
– Clearing house and cash clients	89,745,897	87,390,567
– Secured margin clients	13,399,818	14,394,416
– Other creditors	6,464,090	9,807,823
	109,609,805	111,592,806
Other payables	26,688,079	22,789,466
	136,297,884	134,382,272

Trade payables to other creditors represents trade payables in respect of purchases of materials and supplies.

The credit period granted by other creditors is generally within 30 days. The following is an aging analysis of trade payables to other creditors based on invoice dates:

	30 September 2021 HK\$ (Unaudited)	31 March 2021 HK\$ (Audited)
0–30 days	5,311,391	8,167,881
31–60 days	183,791	1,055,470
Over 60 days	968,908	584,472
	<u>6,464,090</u>	<u>9,807,823</u>

All amounts are short term and hence the carrying values of the Group's trade and other payables are considered to be a reasonable approximation of fair value.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation of the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

During the Reporting Period, the Group recorded revenue of HK\$124.7 million, representing a decrease of HK\$2.3 million, or 1.8% as compared with HK\$127.0 million in the Previous Reporting Period. The Group recorded profit for the period of HK\$52.3 million for the Reporting Period (Previous Reporting Period: loss of HK\$22.3 million). The turnaround in results was mainly attributable to the gain arising from change in fair value of investment properties of HK\$51.0 million during the Reporting Period, as compared to loss arising from change in fair value of investment properties of HK\$33.5 million in the Previous Reporting Period.

Property Investment, Development and Leasing/Hotel Operation

This segment comprises property investment, development and leasing in Hong Kong and the PRC and operating a hotel in Hong Kong. For the Reporting Period, this segment recorded revenue of HK\$6.3 million, a decrease of HK\$4.1 million, or 39.2% as compared with HK\$10.4 million in the Previous Reporting Period. Profit from operations was HK\$47.5 million during the Reporting Period (Previous Reporting Period: loss from operations of HK\$35.7 million). Excluding the change in fair value of investment properties, loss from operations was HK\$3.6 million, representing an increase in loss of HK\$1.3 million, or 58.1% as compared with HK\$2.3 million in the Previous Reporting Period. The increase in loss was mainly attributable to suspension of hotel operation since 1 June 2020 and lease termination of shops on ground floor of hotel building since September 2020.

(i) Property Investment, Development and Leasing

For the Reporting Period, most of the Group's investment properties were leased out to generate steady rental income for the Group. The total rental income and rental related income amounted to HK\$6.3 million, representing a decrease of HK\$3.6 million, or 36.0% as compared with HK\$9.9 million in the Previous Reporting Period. It was mainly attributable to lease termination of shops on ground floor of hotel building due to alteration and addition works since September 2020.

(ii) Hotel Operation

Our hotel operation was suspended since 1 June 2020 for alteration and addition works. During the Previous Reporting Period, hotel accommodation income recorded HK\$0.5 million.

Manufacturing and Distribution of Plastic Packaging Materials

The segment recorded revenue of HK\$107.6 million, a slight increase of HK\$0.3 million from HK\$107.3 million in the Previous Reporting Period. However, the segment profit was HK\$13.8 million, a decrease of HK\$7.1 million, or 33.9% from HK\$20.9 million in the Previous Reporting Period. The decrease in segment profit was mainly due to the increase in cost of sales, particularly cost of raw materials and ocean freights, which led to a drop in export sales volume.

The global pandemic shutdown wreaked havoc on the global supply chain. Since, lingering virus-mitigation measures continue to limit efforts to return the supply chain to pre-pandemic levels, spawning backlogs at major ports around the world. It is unpredictable when the global economy can return normalcy, which in turn impacted our customers' sentiment towards their sales forecast and delayed their marketing and procurement decisions.

Broking and Securities Margin financing

Market momentum was weak throughout the Reporting Period. The outbreak of COVID-19 has resulted in slowing down the global economic growth. Recently, China is tightening its anti-monopoly measures and imposed governance on various sectors with an aim to common prosperity. And also, the restraining order of electricity in China would suppress the production rate and affect its GDP growth.

During the period, due to full of negative elements in the market, Hang Seng Index hovered with great variation, it dropped by approximately 4,000 points as at 30 September 2021 as compared to the beginning of the reporting period, clients are observably conservative. The raising of 30% stamp duty on stock transaction by the Hong Kong Stock Exchange on August 2021 certainly increased extra burden to investors.

For the reporting period, we maintained to perform steadily. This segment recorded a profit of HK\$1.4 million, which is more or less the same as compared with HK\$1.4 million in the Previous Reporting Period. Brokerage commission amounted to HK\$4.4 million, a decrease of HK\$0.8 million or 15.0% as compared to HK\$5.2 million in the Previous Reporting Period. However, the interest received from clients increased by HK\$1.2 million, or 33.3% to HK\$4.7 million, compared with HK\$3.5 million in the Previous Reporting Period.

Liquidity and Financial Resources

The Group takes a consistent capital management strategy, providing adequate liquidity to meet the requirement of the Group's developments and operations and monitors its capital on the basis of net debt to equity ratio.

As at 30 September 2021, cash and cash equivalents was HK\$63.2 million (31 March 2021: HK\$159.6 million). As at 30 September 2021, the current ratio of the Group was 1.4 (31 March 2021: 1.8).

The Group's bank loans increased by HK\$37.3 million from HK\$275.1 million as at 31 March 2021 to HK\$312.4 million, as at 30 September 2021, in which the short-term loans amounted HK\$148.2 million (31 March 2021: HK\$106.9 million) and long-term loans amounted HK\$164.2 million (31 March 2021: HK\$168.3 million). The Group's current period net debt to equity ratio was 22.5% (31 March 2021: 10.7%), calculated on the basis of the Group's total debt less restricted cash and cash and cash equivalents divided by total equity attributable to owners of the Company, such increase was mainly due to the increase in bank loans during the Reporting Period.

Capital Structure

As at 30 September 2021, the Group's total equity attributable to owners of the Company amounted to HK\$1,090.8 million (31 March 2021: HK\$1,038.0 million). The Group's consolidated net assets per share as at 30 September 2021 was HK\$4.9 (31 March 2021: HK\$4.7).

Foreign Exchange Exposure

The transactions and monetary assets and liabilities of certain subsidiaries are denominated in RMB. Although the Group currently does not have a foreign currency hedging policy, it does and will continue to monitor the foreign exchange exposure closely and will consider hedging if there is significant foreign currency exposure.

Material Acquisitions and Disposals

The Group had no material acquisitions or disposals of subsidiaries or associated companies during the Reporting Period.

Employees and Remuneration Policies

The Group had 280 employees as at 30 September 2021 (31 March 2021: 291 employees). The remuneration policies are determined with reference to the market conditions and individual performance of staff.

Strategic and Prospects

Looking ahead, as the unstable and the volatility of global environment and the COVID-19 pandemic is predicted to alleviate. We will cautiously review and adjust our business strategies from time to time.

Property Investment, Development and Leasing/Hotel Operation

(i) Property Investment, Development and Leasing

Hong Kong's economic recovery became more entrenched in the third quarter in 2021, with the continued revival of global economic activity and stable local epidemic situation. Phase 3 renovation of Everglory Centre, with 5 more floors being converted into business centre will be resumed and expects to be completed in the first half of 2022. Our serviced offices are tailor-made and ready to cater for clients with different needs by providing prestige services.

The Group will monitor the market closely and consider different opportunities and strategies in order to make use of our property portfolio to generate favourable return.

(ii) Hotel Operation

The Group has suspended the hotel operation business in Hong Kong from 1 June 2020 for alterations and addition works. As at 31 March 2021, the demolition work of building was substantially completed and the foundation work has also commenced. The upgrade works is expected to be completed in the second quarter of 2024. Upon completion, the number of guest rooms and the size of commercial areas of the hotel will increase and the plot ratio can be fully utilized with a view to generating additional hotel accommodation income and rental income for the Group in the coming years.

Manufacturing and Distribution of Plastic Packaging Materials

All nations agreed to work together to combat global climate change and come up with plans to promote resources saving as well as waste reduction and recycling in order to reduce carbon emissions and facilitate a transformation to low-carbon living. In Hong Kong, the Legislative Council has passed the Waste Disposal (Charging for Municipal Solid Waste) Bill adopting “polluter-pays” principle, charges are based on the quantity of waste generated, citizens must purchase designated garbage bags to discard the garbage in the future. The scheme will affect all sectors of the community and will revolutionize the garbage bags market in Hong Kong. In face with the current challenges, we will continue to modernize our manufacturing facilities to enhance competitiveness and focus on promoting greener alternatives to meet the market demand.

Broking and Securities Margin Financing

Looking to rest of the year, market will continue to be irritated by the timetable of increase in interest rate coupled with the contraction of the Quantitative Easing (QE) by the US Federal Government which will directly affect the liquidity of fund in the investment market. Moreover, the fear of shortage in materials would lead to rise in commodities price and trigger risk of inflation.

In a complicated external environment with lots of uncertainties, we remain on the outlook for high quality services and cost effective strategy to enhance our performance. We will also base on the market situation to review and adjust our strategy on margin financing on a prudent basis regularly.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Company has complied with all those code provisions set out in the Code on Corporate Governance Practices (“Code”) contained in Appendix 14 of the Listing Rules except the following deviations:

Pursuant to Code A.2.1, the roles of chairman and chief executive officer should be performed by different individuals. Currently, the two roles are performed by the same individual. After reviewing the management structure, the Board is of the opinion that Board decisions are collective decisions of all Directors made by way of voting and not decisions of the Chairman of the Board alone. Further, there is a clear division of responsibilities with independent operations between the Board members and the management of the day-to-day business of the Company. As such, the power of management of the Company is not concentrated in any one individual. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group.

Pursuant to Code A.6.7, independent non-executive Directors and non-executive Directors, as equal board members, should attend general meetings of the Company. During the period, a non-executive director was unable to attend the annual general meeting of the Company held on 27 August 2021 as he had other business engagements.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS’ DEALING IN SECURITIES

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (“Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors of the Company. The Company has made specific enquiry of all Directors and all the Directors have complied with the required standard laid down in the Model Code.

AUDIT COMMITTEE

The Audit Committee of the Company, which comprises four independent non-executive directors of the Company, namely Mr. Chan Siu Ting (Chairman of the Audit Committee), Mr. James L. Kwok, Mr. Wong Shek Keung and Mr. Tsui Ka Wah and two non-executive directors of the Company, namely Mr. Chan Man Hon, Eric and Mr. Tsai Han Yung. The interim results of the Group for the Reporting Period have been reviewed by the Audit Committee, prior to their approval by the Board.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the Reporting Period (Previous Reporting Period: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period under review.

PUBLICATIONS OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This interim results announcement is available for viewing on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.seapnf.com.hk. The Company interim report for 2021/2022 will be despatched to the shareholders of the Company and available on the above website in due course.

By the order of the Board
Southeast Asia Properties & Finance Limited
Chua Nai Tuen
Chairman and Managing Director

Hong Kong, 19 November 2021

As at the date of this announcement, the Board comprises: (1) Mr. Chua Nai Tuen and Mr. Nelson Junior Chua as executive directors; (2) Mr. Chan Man Hon, Eric, Mr. Jimmy Siy Tiong, Mr. Tsai Han Yung and Ms. Vivian Chua as non-executive directors; and (3) Mr. Chan Siu Ting, Mr. James L. Kwok, Mr. Wong Shek Keung and Mr. Tsui Ka Wah as independent non-executive directors.