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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 2022**

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 2022 (the “Reporting Period”), together with the comparative figures of the corresponding period in 2021 (the “Previous Reporting Period”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2022

	Notes	Six months ended 30 September	
		2022 HK\$ (Unaudited)	2021 HK\$ (Unaudited)
Revenue	5	138,385,192	124,659,453
Cost of sales		<u>(96,747,579)</u>	<u>(83,644,718)</u>
Gross profit		41,637,613	41,014,735
Other revenue and other income		4,379,774	2,340,369
Gain arising from change in fair value of investment properties		4,172,927	51,046,782
Loss arising from financial assets at fair value through profit or loss (“FVTPL”)		(5,103,500)	(2,671,695)
Selling and distribution expenses		(5,602,275)	(3,891,244)
Administrative expenses		(28,011,764)	(24,877,100)
Other operating income/(expenses)		509,754	(250,574)
Finance costs	6	(3,506,426)	(2,372,633)
Share of results of associates		202,090	(690,638)
Impairment loss recognised in respect of amount due from an associate		<u>(2,167,687)</u>	<u>(4,994,857)</u>
Profit before tax		6,510,506	54,653,145
Income tax expense	7	<u>(1,975,099)</u>	<u>(2,365,985)</u>
Profit for the period	8	<u>4,535,407</u>	<u>52,287,160</u>
Profit for the period attributable to:			
Owners of the Company		3,798,830	51,222,830
Non-controlling interests		<u>736,577</u>	<u>1,064,330</u>
		<u>4,535,407</u>	<u>52,287,160</u>
Earnings per share attributable to owners of the Company			
Basic and diluted (<i>HK cents</i>)	10	<u>1.7</u>	<u>22.7</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Six months ended 30 September	
	2022	2021
	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Unaudited)
Profit for the period	4,535,407	52,287,160
Other comprehensive (expense)/income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(14,807,753)</u>	<u>1,674,856</u>
Other comprehensive (expense)/income for the period	<u>(14,807,753)</u>	<u>1,674,856</u>
Total comprehensive (expense)/income for the period	<u>(10,272,346)</u>	<u>53,962,016</u>
Total comprehensive (expense)/income attributable to:		
Owners of the Company	(10,125,800)	52,804,267
Non-controlling interests	<u>(146,546)</u>	<u>1,157,749</u>
	<u>(10,272,346)</u>	<u>53,962,016</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	30 September 2022 HK\$ (Unaudited)	31 March 2022 HK\$ (Audited)
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	161,925,135	164,552,045
Right-of-use assets	12,135,356	14,222,233
Investment properties	836,635,120	827,435,164
Interests in associates	13,459,986	13,340,173
Intangible assets	3,501,501	3,501,501
Other assets	2,700,000	2,700,000
Financial asset at fair value through other comprehensive income (“FVOCI”) (non-recycling)	72,497,183	73,132,554
Loan receivables	44,148,447	41,883,085
Deferred tax assets	3,682,446	3,389,741
	<u>1,150,685,174</u>	<u>1,144,156,496</u>
Current assets		
Inventories	50,730,281	60,643,963
Trade and other receivables	<i>11</i> 105,627,949	154,769,751
Deposits and prepayments	5,200,587	5,114,367
Tax recoverable	208,052	2,000,686
Restricted cash	4,100,000	4,100,000
Financial assets at FVTPL	29,496,500	34,600,000
Trust accounts of shares dealing clients	72,206,031	88,603,357
Cash and cash equivalents	60,986,397	83,536,258
	<u>328,555,797</u>	<u>433,368,382</u>

		30 September	31 March
		2022	2022
		HK\$	HK\$
	<i>Notes</i>	(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	12	106,484,053	145,006,871
Contract liabilities		934,385	1,228,797
Bank loans		232,348,868	337,169,106
Amount due to an associate		–	1,490,170
Lease liabilities		356,377	1,062,992
Tax payables		246,343	287,594
		<u>340,370,026</u>	<u>486,245,530</u>
Net current liabilities		<u>(11,814,229)</u>	<u>(52,877,148)</u>
Total assets less current liabilities		<u>1,138,870,945</u>	<u>1,091,279,348</u>
Non-current liabilities			
Bank loans		57,066,263	–
Amount due to a non-controlling interest		3,270,000	3,270,000
Deferred tax liabilities		14,592,802	13,795,122
		<u>74,929,065</u>	<u>17,065,122</u>
Net assets		<u>1,063,941,880</u>	<u>1,074,214,226</u>
EQUITY			
Share capital		245,062,941	245,062,941
Reserves		808,693,551	818,819,351
Equity attributable to owners of the Company		<u>1,053,756,492</u>	<u>1,063,882,292</u>
Non-controlling interests		<u>10,185,388</u>	<u>10,331,934</u>
Total equity		<u>1,063,941,880</u>	<u>1,074,214,226</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

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 2022 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 2022 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 2022.

In preparing the consolidated financial statements, the directors have given careful consideration to the future liquidity of the Group in light of the fact that, as of 30 September 2022, the Group's current liabilities exceeded its current assets by HK\$11.8 million. The directors are of the opinion that the Group will have sufficient working capital to finance its operations and continue as a going concern given that: (i) the Group had bank balances and cash of HK\$61.0 million as at 30 September 2022 which enable the Group to meet its payment obligations at all times; (ii) as at 30 September 2022, the Group had undrawn facilities totalling HK\$257.2 million which were the overdraft and the revolving loan facilities granted by the banks; (iii) the directors have reviewed the likelihood of renewal of the term loan of approximately HK\$166.0 million, which the directors believed that the term loan can be renewed upon the expiry; and (iv) the management has prepared cash flow forecasts which demonstrated that the Group had sufficient working capital over the next twelve months from the reporting date. After taking into account the above, the directors of the Company are satisfied that the Group will be able to meet their financial obligations when they fall due. Accordingly, the directors of the Company are of the opinion that the consolidated financial statements have been prepared on a going concern basis.

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 2022 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 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The 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	
	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue								
— from external customers	<u>6,075,948</u>	<u>6,332,571</u>	<u>123,657,078</u>	<u>107,599,251</u>	<u>8,652,166</u>	<u>10,727,631</u>	<u>138,385,192</u>	<u>124,659,453</u>
Segment results	(3,690,958)	(3,571,343)	13,893,774	13,819,609	(2,393,214)	1,416,225	7,809,602	11,664,491
Gain arising from change in fair value of investment properties	<u>4,172,927</u>	<u>51,046,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,172,927</u>	<u>51,046,782</u>
Profit/(Loss) from operations	481,969	47,475,439	13,893,774	13,819,609	(2,393,214)	1,416,225	11,982,529	62,711,273
Unallocated finance costs							(3,506,426)	(2,372,633)
Share of results of associates							202,090	(690,638)
Impairment loss recognised in respect of amount due from an associate							<u>(2,167,687)</u>	<u>(4,994,857)</u>
Profit before income tax							6,510,506	54,653,145
Income tax expense							<u>(1,975,099)</u>	<u>(2,365,985)</u>
Profit for the period							<u>4,535,407</u>	<u>52,287,160</u>

(II) Geographical segment

The Group's revenues from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the assets in case of property, plant and equipment, right-of-use assets and investment properties, the location of operation to which they are allocated in case of intangible assets, and the location of operation in case of interests in associates.

	Revenue from external customers		Non-current assets	
	Six months ended			
	30 September	30 September	30 September	31 March
	2022	2021	2022	2022
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Hong Kong (domicile)	31,178,970	42,201,215	960,143,198	931,808,792
PRC	38,602,168	19,201,481	114,361,941	91,159,642
Japan	27,705,269	24,210,875	–	–
Oceania	24,782,937	21,326,053	–	–
North America	9,833,020	9,721,152	–	–
Europe	6,282,828	7,998,677	–	–
	<u>138,385,192</u>	<u>124,659,453</u>	<u>1,074,505,139</u>	<u>1,022,968,434</u>

5. REVENUE

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

	Six months ended 30 September	
	2022 HK\$ (Unaudited)	2021 HK\$ (Unaudited)
Revenue from contracts with customers		
Sale of goods	123,657,078	107,599,251
Brokerage commission	2,998,200	4,404,764
	<u>126,655,278</u>	<u>112,004,015</u>
Revenue from other sources		
Rental income and rental related income	5,598,432	6,332,571
Interest income received from clients	3,866,778	4,707,121
Dividend income from listed equity securities	1,787,188	1,615,746
Dividend income from unlisted securities	477,516	–
	<u>11,729,914</u>	<u>12,655,438</u>
Total revenue	<u><u>138,385,192</u></u>	<u><u>124,659,453</u></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 at a point in time during the Reporting Period and the Previous Reporting Period.

6. FINANCE COSTS

	Six months ended 30 September	
	2022	2021
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Interest expenses on:		
Bank loans	3,269,794	2,228,403
Other borrowings	968	17,398
Finance charges on lease liabilities	8,885	5,888
Bank charges	226,779	120,944
	<u>3,506,426</u>	<u>2,372,633</u>

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2022	2021
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Current tax:		
Provision for the period	1,470,124	2,138,801
Deferred tax charge	<u>504,975</u>	<u>227,184</u>
Total income tax expense for the period	<u>1,975,099</u>	<u>2,365,985</u>

The provision for Hong Kong Profits Tax for both periods are calculated at 16.5% (2021: 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 FOR THE PERIOD

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

	Six months ended 30 September	
	2022	2021
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Cost of inventories sold	80,912,034	67,064,434
Direct operating expenses for generating rental income	1,240,862	1,126,855
Depreciation:		
– Property, plant and equipment	4,476,948	4,997,157
– Right-of-use assets	975,955	923,248
	<u>5,452,903</u>	<u>5,920,405</u>
Gain on disposal of financial assets at FVTPL	–	(51,426)
Loss on change in fair value of financial assets at FVTPL	5,103,500	2,723,121
	<u>5,103,500</u>	<u>2,671,695</u>
Bad debt recovered	(24,000)	(24,000)
Exchange (gain)/loss, net	(566,108)	200,801
Staff costs (including directors' emoluments):		
– Salaries, wages and allowances	23,734,070	20,513,549
– Staff benefits	426,755	589,035
– Retirement benefit schemes contributions	1,273,706	1,302,998
	<u>25,434,531</u>	<u>22,405,582</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 2022 amounting to HK\$6,762,601 were paid in October 2022.

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company of HK\$3,798,830 (Previous Reporting Period: profit attributable to owners of the Company of earnings HK\$51,222,830) 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 per share for the Reporting Period and Previous Reporting Period were the same as basic earnings 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 2022 HK\$ (Unaudited)	31 March 2022 HK\$ (Audited)
Trade receivables from broking and securities margin financing:		
– Clearing house and cash clients	6,892,678	19,380,042
– Secured margin clients	65,261,769	97,211,651
Less: Expected credit loss (“ECL”) allowance	(301,404)	(301,404)
	<u>71,853,043</u>	<u>116,290,289</u>
Trade receivables from sales of goods and leasing	32,376,863	37,910,827
Less: ECL allowance	(1,975,431)	(1,975,431)
	<u>30,401,432</u>	<u>35,935,396</u>
Other receivables	<u>3,373,474</u>	<u>2,544,066</u>
	<u><u>105,627,949</u></u>	<u><u>154,769,751</u></u>

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 2022, trade receivables from cash clients and secured margin clients of HK\$9,802,724 (31 March 2022: HK\$6,079,234) 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 2022 HK\$ (Unaudited)	31 March 2022 HK\$ (Audited)
0–30 days	24,340,375	20,220,121
31–60 days	3,192,255	3,850,182
Over 60 days	2,868,802	11,865,093
	<u>30,401,432</u>	<u>35,935,396</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 8.625% for the Reporting Period (31 March 2022: 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 2022, the total market value of securities pledged as collateral by the customers in respect of the loans to margin clients was HK\$112,341,672 (31 March 2022: HK\$196,129,716).

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 2022 HK\$ (Unaudited)	31 March 2022 HK\$ (Audited)
Trade payables to:		
– Clearing house and cash clients	70,014,168	79,119,457
– Secured margin clients	6,795,078	18,120,061
– Other creditors	8,076,643	17,379,069
	<hr/>	<hr/>
Total trade payables	84,885,889	114,618,587
	<hr/>	<hr/>
Other payables	21,598,164	30,388,284
	<hr/>	<hr/>
	106,484,053	145,006,871
	<hr/> <hr/>	<hr/> <hr/>

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 2022 HK\$ (Unaudited)	31 March 2022 HK\$ (Audited)
0–30 days	7,077,295	16,208,524
31–60 days	493,888	595,159
Over 60 days	505,460	575,386
	<u>8,076,643</u>	<u>17,379,069</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\$138.4 million, representing an increase of HK\$13.7 million, or 11.0% as compared with HK\$124.7 million in the Previous Reporting Period. The Group recorded profit for the period of HK\$4.5 million (Previous Reporting Period: profit of HK\$52.3 million). The decrease was mainly attributable to the decrease in gain arising from change in fair value of investment properties of HK\$46.9 million during the Reporting Period, as compared to the Previous Reporting Period.

Property Investment, Development and Leasing/Hotel

During the Reporting Period, this segment recorded revenue of HK\$6.1 million, a decrease of HK\$0.2 million, or 4.1% as compared with HK\$6.3 million in the Previous Reporting Period. Profit from operations was HK\$0.5 million during the Reporting Period, a decrease of HK\$47.0 million, or 99.0% as compared with HK\$47.5 million in the Previous Reporting Period. Excluding the change in fair value of investment properties, loss from operations was HK\$3.7 million, representing an increase in loss of HK\$0.1 million, or 3.3% as compared with loss of HK\$3.6 million in the Previous Reporting Period.

(i) Property Investment, Development and Leasing

During 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\$5.6 million, representing a decrease of HK\$0.7 million, or 11.6% as compared with HK\$6.3 million in the Previous Reporting Period. It was mainly attributable to the decrease in rental income of 5 floors at Everglory Centre for the conversion of co-working space.

(ii) Hotel

Our hotel operation was suspended since 1 June 2020 for alteration and addition works. No revenue was generated from either shops or hotel accommodation for the Reporting Period and the Previous Reporting Period.

Manufacturing and Distribution of Plastic Packaging Materials

The segment recorded revenue of HK\$123.7 million, an increase of HK\$16.1 million from HK\$107.6 million in the Previous Reporting Period. The segment profit was HK\$13.9 million, an increase of HK\$0.1 million, or 0.5% from HK\$13.8 million in the Previous Reporting Period. The increase in segment profit was in line with the increase in segment revenue during the Reporting Period.

Lingering virus-mitigation measures continue to limit efforts to return the supply chain to pre-pandemic levels. Furthermore, the United States Federal Reserve (“Federal Reserve”) raised interest rates to rein in surging prices failed to tame inflation but caused the greenback to strengthen while other major currencies plummeted. The rapid interest rate hikes has wracked financial havoc elsewhere with recession risks, unbridled inflation and debt woes, which had led to companies taking steps to cut costs through supplier negotiations.

Broking and Securities Margin financing

In review to the reporting period, global economy grapples with pandemic-related disruptions and geopolitical tension. Externally, the Russia-Ukraine conflict disrupted worldwide supply chain which triggered inflation globally. The Federal Reserve continues to increase in interest rate substantially to suppress inflation. Internally, the continuous lockdown in many provinces in the PRC affects its production rate and GDP adversely. Together with the bursting of the PRC’s property bubble and power crisis make extra stress on the PRC’s economy.

The market momentum was rather weak during the reporting period. The fund-raising activities were significant reduced in Hong Kong Initial Public Offering (IPO), which was down by 76% year-on-year in the first three quarters in 2022. The Chinese Yuan is experiencing depreciation recently; its weakening was mainly due to a stronger United States Dollar led to a decline in other currencies. Investors step back and become conservative. Hang Seng Index dropped throughout the reporting period with its highest points 22,523 in April, 2022 and its lowest points 17,016 at the end of third quarter in 2022, a drop of nearly 5,500 points. The average turnover of the overall market declined to about HK\$100 billion daily.

This segment recorded a loss of HK\$2.4 million, as compared to a profit of HK\$1.4 million in the Previous Reporting Period. Brokerage commission amounted to HK\$3.0 million, a decrease of HK\$1.4 million or 31.9% as compared to HK\$4.4 million in the Previous Reporting Period. Interest income received from clients decreased by HK\$0.8 million or 17.9% to HK\$3.9 million, compared with HK\$4.7 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 2022, cash and cash equivalents was HK\$61.0 million (31 March 2022: HK\$83.5 million). As at 30 September 2022, the current ratio of the Group was 1.0 (31 March 2022: 0.9).

The Group's bank loans decreased by HK\$47.8 million from HK\$337.2 million as at 31 March 2022 to HK\$289.4 million, as at 30 September 2022, in which the short-term loans amounted HK\$232.3 million (31 March 2022: HK\$337.2 million) and long term borrowings amounted to HK\$57.1 million (31 March 2022: HK\$nil). The Group's current period net debt to equity ratio was 21.3% (31 March 2022: 23.5%), 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 decrease was mainly due to the decrease in bank loans during the Reporting Period.

Capital Structure

As at 30 September 2022, the Group's total equity attributable to owners of the Company amounted to HK\$1,053.8 million (31 March 2022: HK\$1,063.9 million). The Group's consolidated net assets per share as at 30 September 2022 was HK\$4.7 (31 March 2022: HK\$4.8).

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 272 employees as at 30 September 2022 (31 March 2022: 278 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 Construction Progress

(i) Property Investment, Development and Leasing

During the Reporting Period, global economy is still confronting impacts on uncertainties arising from COVID-19 pandemic, fund flows and interest rate trends and geopolitical tension between PRC and the United States.

Russia-Ukraine conflict disrupted worldwide supply chain which triggered inflation globally. Central banks around the world simultaneously hike interest rates in response to inflation while tightening monetary policies, which may cause a global recession in 2023 as anticipated by many parties.

Due to the Group's diversified property portfolio, rental income from the Group's investment properties is expected to remain stable. Our Phase 3 development project in Everglory Centre involves the conversion of additional 5 floors into serviced office units, which will be packaged with prestige corporate services tailored for small and medium enterprises. The conversion project is expected to complete by Easter 2023, which will significantly increase the revenue generated by the building.

Seeing the instability during the Reporting Period and in the near future, the Group had taken a cautious approach in its business development to mitigate the risks and maintain healthy growth. 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 Construction Progress*

Our hotel is carrying out a major alteration and addition works. The foundation works of the alteration and addition works were completed in October 2022, followed by the superstructure works started in October 2022. The Group has issued a letter of award dated 2 September 2022 for accepting the terms of the tenders submitted by Wise Trend Engineering Limited in relation to construction of the superstructure works of the alteration and addition works for the hotel. The total contract sum payable by SAP Realty Company Limited to the contractor shall be approximately HK\$192.5 million (subject to adjustments for any variations and additional works in accordance with the terms of the contract).

Manufacturing and Distribution of Plastic Packaging Materials

A slowdown in global economic growth seems inevitable as the world economy continues to take a hit from high inflation, a slowdown in the PRC caused by virus-mitigation measures and ongoing fallout from Russia-Ukraine conflict. Furthermore, all nations agreed to work together to combat global climate change and come up with plans to reduce carbon emissions and facilitate a transformation to low-carbon living, will have significant implication to the global plastics industry. In face with the current challenges, we will look more towards efficiency improvements and cost savings to remain competitive and continue to promote greener alternatives to meet the market demand.

Broking and Securities Margin Financing

Looking ahead, market is full of fear and worry with the negative elements. Investors have to brace for another volatile year. Recently, the soaring inflation forces The Federal Reserve continue to contract in Quantitative Easing (QE) and increase in interest rate. It is afraid that would lead to economic recession eventually. The International Monetary Fund (IMF) has already turned down the forecast of the worldwide economic growth in the coming year.

On the other hand, it is optimal that Hong Kong is making path towards quarantine-free entry, it could increase the city's connectivity, gradual normalization activities of the recovery.

Investment market will continue stagnant if the marco environment does not improve. In the present situation, we adopt prudent measures especially on our margin financing and adjust our strategy in a timely manner. We are looking forward that our business will perform better when the investment environment becomes stable.

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 26 August 2022 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. Tsui Ka Wah and Mr. Luk Siu Chuen 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 2022/2023 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, 24 November 2022

As at the date of this announcement, the Board comprises: (1) Mr. Chua Nai Tuen, Mr. Nelson Junior Chua and Mr. Richard Sy Tan 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. Tsui Ka Wah and Mr. Luk Siu Chuen as independent non-executive directors.