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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 2020**

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 2020 (the “**Reporting Period**”), together with the comparative figures of the corresponding period in 2019 (the “**Previous Reporting Period**”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2020

		Six months ended 30 September	
		2020	2019
		HK\$	HK\$
	Notes	(Unaudited)	(Unaudited)
Revenue	5	126,964,535	186,399,695
Cost of sales		<u>(81,761,420)</u>	<u>(134,019,196)</u>
Gross profit		45,203,115	52,380,499
Other revenue and other income		4,424,912	1,087,769
Loss arising from change in fair value of investment properties		(33,470,689)	(36,538,112)
Loss arising from change in fair value of financial assets at fair value through profit or loss (“FVTPL”)		(1,492,810)	(917,282)
Selling and distribution expenses		(2,873,404)	(4,019,558)
Administrative expenses		(24,736,856)	(25,626,066)
Other operating expenses		(426,905)	(194,764)
Finance costs	6	(4,192,772)	(6,523,306)
Share of results of associates		924,662	(1,437,206)
Impairment loss recognised in respect of amount due from an associate		<u>(1,467,662)</u>	<u>–</u>
Loss before tax		(18,108,409)	(21,788,026)
Income tax expense	7	<u>(4,162,177)</u>	<u>(3,371,129)</u>
Loss for the period	8	<u>(22,270,586)</u>	<u>(25,159,155)</u>
(Loss)/Profit for the period			
Attributable to:			
Owners of the Company		(22,164,354)	(25,715,844)
Non-controlling interests		<u>(106,232)</u>	<u>556,689</u>
		<u>(22,270,586)</u>	<u>(25,159,155)</u>
Loss per share			
Basic and diluted (HK cents)	10	<u>(9.8)</u>	<u>(11.4)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Six months ended 30 September	
	2020	2019
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Loss for the period	(22,270,586)	(25,159,155)
Other comprehensive income/(expense)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>3,721,300</u>	<u>(8,987,929)</u>
Other comprehensive income/(expense) for the period	<u>3,721,300</u>	<u>(8,987,929)</u>
Total comprehensive expense for the period	<u>(18,549,286)</u>	<u>(34,147,084)</u>
Total comprehensive (expense)/income for the period		
Attributable to:		
Owners of the Company	<u>(18,686,947)</u>	<u>(34,140,325)</u>
Non-controlling interests	<u>137,661</u>	<u>(6,759)</u>
	<u>(18,549,286)</u>	<u>(34,147,084)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

		30 September 2020 HK\$ (Unaudited)	31 March 2020 HK\$ (Audited)
	Notes		
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		158,515,751	160,494,596
Right-of-use assets		13,269,012	13,815,227
Investment properties		816,648,003	849,677,831
Interests in associates		20,261,699	18,521,547
Loan receivable		14,500,000	–
Intangible assets		3,702,706	3,702,706
Other assets		2,700,000	2,700,000
Deposits and prepayments		15,000,000	15,000,000
Deferred tax assets		2,728,675	2,484,084
		<u>1,047,325,846</u>	<u>1,066,395,991</u>
Current assets			
Stock of property		126,365,000	124,000,000
Inventories		44,940,971	42,939,701
Trade and other receivables	11	105,801,302	101,149,271
Deposits and prepayments		5,119,692	6,725,349
Prepaid tax		332,713	538,032
Restricted cash		4,100,000	4,100,000
Financial assets at FVTPL		20,725,000	6,066,000
Trust accounts of shares dealing clients		76,479,356	75,827,361
Cash and cash equivalents		112,425,413	103,372,537
		<u>496,289,447</u>	<u>464,718,251</u>
Current liabilities			
Trade and other payables	12	118,282,078	112,579,758
Contract liabilities		2,064,545	1,865,167
Bank loans		207,435,008	180,873,809
Amount due to an associate		2,047,456	1,018,497
Lease liabilities		335,585	998,220
Tax payables		5,682,886	4,030,861
		<u>335,847,558</u>	<u>301,366,312</u>

	30 September 2020 HK\$ (Unaudited)	31 March 2020 HK\$ (Audited)
Net current assets	160,441,889	163,351,939
Total assets less current liabilities	1,207,767,735	1,229,747,930
Non-current liabilities		
Bank loans	173,948,110	178,220,657
Amount due to a non-controlling interest	3,110,000	3,110,000
Deferred tax liabilities	11,986,104	11,144,466
	189,044,214	192,475,123
Net assets	1,018,723,521	1,037,272,807
EQUITY		
Share capital	245,062,941	245,062,941
Reserves	765,235,937	783,922,884
Equity attributable to equity holders of the Company	1,010,298,878	1,028,985,825
Non-controlling interests	8,424,643	8,286,982
Total equity	1,018,723,521	1,037,272,807

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 2020 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 2020 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 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 2020.

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 2020 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 HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

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 operations, (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 operations Six months ended 30 September		Manufacturing and distribution of plastics packaging materials Six months ended 30 September		Broking and securities margin financing Six months ended 30 September		Consolidated Six months ended 30 September	
	2020 HK\$ (Unaudited)	2019 HK\$ (Unaudited)	2020 HK\$ (Unaudited)	2019 HK\$ (Unaudited)	2020 HK\$ (Unaudited)	2019 HK\$ (Unaudited)	2020 HK\$ (Unaudited)	2019 HK\$ (Unaudited)
Revenue	<u>10,415,997</u>	<u>20,791,075</u>	<u>107,292,171</u>	<u>156,913,680</u>	<u>9,256,367</u>	<u>8,694,940</u>	<u>126,964,535</u>	<u>186,399,695</u>
Segment results	(2,258,370)	4,205,052	20,910,295	17,618,058	1,446,127	887,488	20,098,052	22,710,598
Loss arising from change in fair value of investment properties	<u>(33,470,689)</u>	<u>(36,538,112)</u>	-	-	-	-	<u>(33,470,689)</u>	<u>(36,538,112)</u>
(Loss)/Profit from operations	<u>(35,729,059)</u>	<u>(32,333,060)</u>	20,910,295	17,618,058	1,446,127	887,488	<u>(13,372,637)</u>	<u>(13,827,514)</u>
Unallocated finance costs							(4,192,772)	(6,523,306)
Share of results of associates							924,662	(1,437,206)
Impairment loss recognised in respect of amount due from an associate							<u>(1,467,662)</u>	-
Loss before tax							<u>(18,108,409)</u>	<u>(21,788,026)</u>
Income tax expense							<u>(4,162,177)</u>	<u>(3,371,129)</u>
Loss for the period							<u>(22,270,586)</u>	<u>(25,159,155)</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	
	2020	2019
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Hong Kong	43,507,837	58,205,145
Japan	29,134,384	31,369,847
Oceania	19,430,818	23,777,217
PRC	18,533,594	53,904,783
Europe	8,886,654	9,022,084
North America	6,325,709	8,630,352
Other Asian regions	1,145,539	1,490,267
	126,964,535	186,399,695
Non-current assets (Note)		
	30 September	31 March
	2020	2020
	HK\$	HK\$
	(Unaudited)	(Audited)
Hong Kong	937,646,232	959,056,272
PRC	89,965,363	88,685,549
	1,027,611,595	1,047,741,821

Note: Non-current assets excluded refundable investment deposit, amounts due from associates 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	
	2020	2019
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of goods	107,292,171	156,913,680
Brokerage commission	5,182,012	4,041,221
Hotel accommodation income	525,351	8,959,806
	112,999,534	169,914,707
Revenue from other sources		
Rental income and rental related income	9,890,646	11,831,269
Interest income received from client	3,530,636	4,303,870
Dividend income from listed equity securities	543,719	349,849
	13,965,001	16,484,988
Total revenue	126,964,535	186,399,695

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	
	2020	2019
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
A point in time	112,474,183	160,954,901
Over time	525,351	8,959,806
Revenue from contracts with customers	112,999,534	169,914,707

6. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Interest expenses on:		
Bank loans and overdraft	3,906,694	6,225,927
Other borrowings	34,946	30,198
Finance charges on lease liabilities	12,366	29,164
Bank charges	238,766	238,017
	<u>4,192,772</u>	<u>6,523,306</u>

7. INCOME TAX EXPENSE

The income tax expense is as follow:

	Six months ended 30 September	
	2020	2019
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Current tax:		
Provision for the period	3,565,130	3,545,559
Deferred tax charge/(credit)	<u>597,047</u>	<u>(174,430)</u>
Total income tax expense for the period	<u>4,162,177</u>	<u>3,371,129</u>

The provision for Hong Kong Profits Tax for both periods are calculated at 16.5% (2019: 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. LOSS FOR THE PERIOD

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

	Six months ended 30 September	
	2020	2019
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Cost of inventories sold	62,500,523	107,482,066
Direct operating expenses for generating rental income	1,259,913	1,464,654
Depreciation:		
– Property, plant and equipment	6,039,314	6,518,914
– Right-of-use assets	889,088	897,265
	6,928,402	7,416,179
(Gain)/Loss on disposal of financial assets at FVTPL	(413,211)	333,782
Loss on change in fair value of financial assets at FVTPL	1,906,021	583,500
	1,492,810	917,282
Bad debt recovered	(15,783)	–
Write off of property, plant and equipment	355,234	9,668
Exchange loss	415,873	193,773
Staff costs (including directors' emoluments):		
– Salaries, wages and allowances	21,063,902	25,040,779
– Staff benefits	474,215	337,436
– Retirement benefit schemes contributions	527,435	647,034
Total staff costs	22,065,552	26,025,249

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 2020 amounting to HK\$6,762,601 were paid in October 2020.

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share is based on the loss attributable to owners of the Company HK\$22,164,354 (Previous Reporting Period: HK\$25,715,844) and on the weighted average 225,420,034 (Previous Reporting Period: 225,420,034) ordinary shares in issue during the both periods.

The diluted loss per share for the Reporting Period and Previous Reporting Period were the same as basic loss per share as there were no potential outstanding shares for both Periods.

11. TRADE AND OTHER RECEIVABLES

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

	30 September 2020 HK\$ (Unaudited)	31 March 2020 HK\$ (Audited)
Trade receivables arising from broking and securities margin financing:		
– Clearing house and cash clients	9,135,035	11,298,783
– Secured margin clients	72,625,022	64,728,288
Less: ECL allowance	(2,164,058)	(2,164,058)
	79,595,999	73,863,013
Trade receivables from sales of goods and leasing/hotel operation	24,948,730	26,532,329
Less: ECL allowance	(933,090)	(922,144)
	24,015,640	25,610,185
Other receivables	2,189,663	1,676,073
	105,801,302	101,149,271

The directors of the Group consider that the fair values of trade and other receivables which are expected to be recovered within one year 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 2020, trade receivables from cash clients and secured margin clients with the amounts of HK\$1,460,076 (31 March 2020: HK\$4,902,505) was 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.

The Group's trading terms with hotel room guests are requested to settle all outstanding balances before they check out and mainly settled by cash and credit card. The settlement terms of credit card companies are usually 7 days after the service rendered date.

The Group's trading terms with certain of the corporate customers in relation to the provision of hotel and other services are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 days.

Normally, upon check-in, the Group will request its room guests for cash deposit or credit card debit authorisation. Other than that, the Group does not obtain any other collateral from its room guests.

Aging analysis

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

	30 September 2020 HK\$ (Unaudited)	31 March 2020 HK\$ (Audited)
0–30 days	11,898,640	12,243,136
31–60 days	5,528,741	5,275,563
Over 60 days	6,588,259	8,091,486
	<u>24,015,640</u>	<u>25,610,185</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 2020: 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 2020, the total market value of securities pledged as collateral by the customers in respect of the loans to margin clients was HK\$139,168,114 (31 March 2020: HK\$134,455,117).

No aging analysis of cash clients receivable 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 of broking and securities margin financing.

12. TRADE AND OTHER PAYABLES

The Group's trade payables arose from (i) hotel operation, (ii) manufacturing and distribution of plastic packaging materials, and (iii) broking and securities margin financing.

	30 September 2020 HK\$ (Unaudited)	31 March 2020 HK\$ (Audited)
Trade payables to:		
– Clearing house and cash clients	67,964,503	76,581,417
– Secured margin clients	13,842,284	6,480,378
– Other creditors	11,306,281	5,767,433
	<hr/>	<hr/>
Total trade payables	93,113,068	88,829,228
	<hr/>	<hr/>
Other payables	25,169,010	23,750,530
	<hr/>	<hr/>
	118,282,078	112,579,758
	<hr/> <hr/>	<hr/> <hr/>

Trade payables to other creditors are comprised of purchases of materials and supplies.

The following is an aging analysis of trade payables to other creditors based on invoice dates:

	30 September 2020 HK\$ (Unaudited)	31 March 2020 HK\$ (Audited)
0–30 days	10,521,234	3,193,297
31–60 days	127,488	848,052
Over 60 days	657,559	1,726,084
	<u>11,306,281</u>	<u>5,767,433</u>

The credit period granted by other creditors is generally within 30 days.

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. EVENTS AFTER REPORTING PERIOD

On 23 October 2020, Nan Sing Plastics Limited, an indirect non-wholly owned subsidiary of the Company (as the vendor), the Purchaser, an independent third party and the Company (as the vendor's guarantor) has entered into the disposal agreement (the “**Disposal Agreement**”) pursuant to which the vendor agreed to sell the entire issued share of Nan Sing Investment Limited (collectively, “**Nan Sing Investment Group**”) and the sale loan owing by Nan Sing Investment Group at the consideration of HK\$180,000,000 (subject to adjustments) (the “**Disposal**”) and the Company agreed to guarantee due observance and performance by the vendor of all the agreements, obligations, commitments, warranties and undertakings contained in the Disposal Agreement but such guarantee will be limited to 95% of the vendor's liabilities under the Disposal Agreement and other documents entered into pursuant to the Disposal Agreement.

The Board estimates that the Group will record a net gain of approximately HK\$52 million from the Disposal. It is expected that the net proceeds from the Disposal will be used for re-investment for other potential projects and/or business opportunities that may arise and as general working capital and business development of the Group.

As at the date of this announcement, the Disposal is not completed yet.

14. 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\$127.0 million, representing a decrease of HK\$59.4 million, or 31.9% as compared with HK\$186.4 million in the Previous Reporting Period. The Group recorded loss for the period of HK\$22.3 million, representing a decrease in loss of HK\$2.9 million, or 11.5% as compared with the loss of HK\$25.2 million in the Previous Reporting Period. Despite under the current adverse market environment, the Group still earned stable returns from operations. The decrease in net loss was mainly attributable to the decrease in loss arising from change in fair value of investment properties of HK\$3.1 million, as compared to HK\$36.5 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\$10.4 million, a decrease of HK\$10.4 million, or 49.9% as compared with HK\$20.8 million in the Previous Reporting Period. Loss from operations was HK\$35.7 million, representing an increase in loss of HK\$3.4 million or 10.5%, as compared with HK\$32.3 million in the Previous Reporting Period. Excluding the change in fair value of investment properties, such loss was mainly attributable to decrease in profit of hotel operation (which has been suspended since 1 June 2020) of HK\$6.1 million as compared with Previous Reporting Period.

(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\$9.9 million, representing a decrease of HK\$1.9 million, or 16.4% as compared with HK\$11.8 million in the Previous Reporting Period. It was mainly attributable to the reduction or concession in monthly rentals from tenants due to severe disruptions caused by COVID-19.

(ii) Hotel Operation

Our hotel operation was suspended since 1 June 2020 for alteration and addition works. During the Reporting Period, hotel accommodation income recorded HK\$0.5 million, decreased significantly by HK\$8.4 million or 94.1% as compared with HK\$9.0 in the Previous Reporting Period. Occupancy rate and average room rate were merely 46.7% and HK\$249.1, respectively, mainly caused by travel restrictions.

Manufacturing and Distribution of Plastic Packaging Materials

This segment recorded revenue of HK\$107.3 million, a decrease of HK\$49.6 million or 31.6% as compared with HKD156.9 million in the Previous Reporting Period due to a drop in sales on both manufacturing and trading division. However, the segment profit was HK\$20.9 million, an increase of HK\$3.3 million or 18.7% as compared with HK\$17.6 million in the Previous Reporting Period. The increase in segment profit was mainly due to the decrease in cost of sales couple with relief measures announced by both the Chinese and Hong Kong government.

With the COVID-19 pandemic forcing countries around the world to close borders and close cities, it remains unclear when and how quickly the global economy returns to normal. Furthermore, widespread support for ban on single-use plastic products continues to gain momentum, China plans to reduce plastic pollution by 30% in stages within five years. It is still unclear what is deemed acceptable and whether only non-degradable carrier bags will be banned in major cities by the end of 2020. Nevertheless, we are prepared to promote recyclable and sustainable alternatives to fulfil the global pursuit of greener lifestyle.

Broking and Securities Margin financing

By the end of the Reporting Period, market momentum is weak and volatile due to full of negative elements. There are four major risk factors still irritating the investment market. That are the uncertainties of US presidential election, the COVID-19 pandemic persistence, the slow global economic recovery and the geopolitical tension.

Clients are observably and are less inclined to hold stocks that may affect our margin financing business. At the beginning and closing of the Reporting Period, Hang Seng Index both recorded nearly 23,400 points, however there was 3,600 points hovered in between. Some of the large US-listed China firms are relocating back to Hong Kong for listing. The Stock Exchange recorded an average daily turnover about HK\$130 billion.

Our performance is still constrained by the worsening global economic environment and keen competition of the industry. During the Reporting Period, we obtained the segment revenue of HK\$9.3 million, an increase of 0.6 million, or 6.5% as compared with HK\$8.7 million in the Previous Reporting Period. Brokerage commission recorded an increase of 28.2% as we benefited from the growth of the overall market turnover. While the interest received from clients recorded a decline of 18.0% due to market volatility. The segment profit was HK\$1.4 million, increased by HK\$0.6 million or 62.9% as compared with HK\$0.9 million in the Previous Reporting Period. The change was align with the increase in segment revenue as compared with 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 2020, cash and cash equivalents was HK\$112.4 million (31 March 2020: HK\$103.4 million). As at 30 September 2020, the current ratio of the Group was 1.5 (31 March 2020: 1.5).

The Group's bank loans increased by HK\$22.3 million from HK\$359.1 million as at 31 March 2020 to HK\$381.4 million, as at 30 September 2020, in which the short-term loans amounted HK\$207.4 million (31 March 2019: HK\$180.9 million) and long-term loans amounted HK\$173.9 million (31 March 2019: HK\$178.2 million). The Group's current period net debt to equity ratio was 26.2% (31 March 2020: 24.5%), 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 increase was mainly due to the increase in bank loans and loss incurred during the Reporting Period.

Capital Structure

As at 30 September 2020, the Group's total equity attributable to owners of the Company amounted to HK\$1,010.3 million (31 March 2020: HK\$1,029.0 million). The Group's consolidated net assets per share as at 30 September 2020 was HK\$4.5 (31 March 2020: HK\$4.6).

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 301 employees as at 30 September 2020 (31 March 2020: 333 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 persist into next year, our businesses may be adversely affected. To cope with the uncertainties, 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

Under the current environment, corporations tend to downsize or withhold their business expansion plan followed by COVID-19 pandemic. The market demand for traditional office is weak but on the other hand, more corporations are seeking for economical and flexible workspace solution as their substitution. Our serviced offices are tailor-made and ready to cater for clients with different needs by providing prestige services. Meanwhile, the Group will consider opportunities with competitive strategies, including but not limited to upgrade our premises, in order to make use of our property portfolio to generate favorable return in coming years.

(ii) Hotel Operation

The Group has suspended the hotel operation business in Hong Kong from 1 June 2020 for alterations and addition works.

The upgrade works to our hotel will increase the number of guest rooms and the size of commercial areas to fully utilise the plot ratio 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

With the COVID-19 pandemic lingering on and the impact of the US-China decoupling and economic confrontation continues, it is unpredictable when the global economy can recover, which in turn will impact our customers' sentiment towards their sales forecast and delay their marketing and procurement decisions further. Furthermore, "No Plastic" campaign continues to gain momentum around the world encouraging people and businesses to give up single-use plastics and replace them with reusable, recyclable and sustainable alternatives. 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

COVID-19 pandemic has forced many business activities to lockdown, and it is difficult to predict when it would be released until vaccines could be achieved successfully. Lot of measures has been pledged by many countries to boost economic recovery. The PRC has an encouraging improvement in GDP growth in the third quarter of 2020.

Nevertheless, under the current environment, we will continue to cautiously monitor our margin financing and maintain our service quality to our clients, with the hope that we can perform better until the pandemic is under control and the world economy recovers gradually in the near future.

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 28 August 2020 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 2020/2021 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, 20 November 2020

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.