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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
Website: http://www.seapnf.com.hk

# ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

The board of directors (the "Board") of Southeast Asia Properties & Finance Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereby collectively referred to as the "Group") for the year ended 31 March 2016 as below:

## CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2016*

| | *Notes* | **2016** *HK$* | 2015 *HK$* |
|---|---|---|---|
| **Revenue** | *5* | **505,012,541** | 522,171,598 |
| Cost of sales | | **(393,521,579)** | (419,735,613) |
| **Gross profit** | | **111,490,962** | 102,435,985 |
| Other revenue and other income | | **7,149,812** | 7,000,545 |
| Gain on disposal of investment property | | **–** | 107,714,185 |
| Gain arising on change in fair value of investment properties | | **5,370,771** | 44,358,065 |
| (Loss) gain arising on change in fair value of financial assets at fair value through profit or loss | | **(2,179,222)** | 1,130,186 |
| Selling and distribution expenses | | **(9,239,984)** | (9,215,317) |
| Administrative expenses | | **(57,932,178)** | (65,999,417) |
| Other operating expenses | | **(854,216)** | (1,329,389) |

| | Notes | **2016** *HK$* | 2015 *HK$* |
|---|---|---|---|
| **Profit from operations** | *6* | **53,805,945** | 186,094,843 |
| Items reclassified from consolidated statement of comprehensive income: | | | |
| Impairment loss recognised in respect of available-for-sale financial assets | | **(6,425,279)** | (10,321,028) |
| Cumulative gain arising on change in fair value of disposed available-for-sale financial assets | | **1,091,633** | – |
| Finance costs | *7* | **(7,834,407)** | (5,891,357) |
| Share of results of associates | | **1,715,190** | 1,769,988 |
| **Profit before tax** | | **42,353,082** | 171,652,446 |
| Income tax expense | *8* | **(4,322,296)** | (5,281,112) |
| **Profit for the year** | | **38,030,786** | 166,371,334 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | **37,168,950** | 161,311,725 |
| Non-controlling interests | | **861,836** | 5,059,609 |
| | | **38,030,786** | 166,371,334 |
| **Earnings per share** | | | |
| Basic and diluted *(HK cents)* | *10* | **17.1** | 74.2 |

Details of dividend are set out in note 9 to the consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2016*

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| **Profit for the year** | **38,030,786** | 166,371,334 |
| **Other comprehensive income** | | |
| Item that will not reclassified to consolidated income statement: | | |
| Increase in carrying amount of a property reclassified from an owned-occupied to investment property | **2,200,458** | – |
| Items that may be reclassified subsequently to consolidated income statement: | | |
| Loss arising on change in fair value of available-for-sale financial assets | **(5,481,146)** | (4,188,693) |
| Exchange differences on translation foreign operations | **(9,127,614)** | 157,230 |
| Item reclassified to consolidated income statement: | | |
| Impairment loss recognised in respect of available-for-sale financial assets | **6,425,279** | 10,321,028 |
| Cumulative gains arising on change in fair value of disposed available-for-sale financial assets | **(1,091,633)** | – |
| **Other comprehensive (loss) income for the year** | **(7,074,656)** | 6,289,565 |
| **Total comprehensive income for the year** | **30,956,130** | 172,660,899 |
| **Total comprehensive income for the year attributable to:** | | |
| Owners of the Company | **29,406,134** | 167,598,975 |
| Non-controlling interests | **1,549,996** | 5,061,924 |
| | **30,956,130** | 172,660,899 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 March 2016*

| | Notes | 2016 HK$ | 2015 HK$ |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | | **932,155,668** | 620,717,335 |
| Property, plant and equipment | | **191,346,807** | 152,540,456 |
| Leasehold land and land use right | | **15,890,009** | 15,428,593 |
| Interests in associates | | **81,592,537** | 78,262,495 |
| Available-for-sale financial assets | | **17,276,256** | 27,421,084 |
| Intangible assets | | **3,702,706** | 3,702,706 |
| Deferred tax assets | | **1,402,126** | – |
| Other assets | | **2,928,094** | 3,026,691 |
| | | **1,246,294,203** | 901,099,360 |
| **Current assets** | | | |
| Inventories | | **59,032,659** | 73,115,686 |
| Trade and other receivables | *11* | **158,019,353** | 387,365,427 |
| Financial assets at fair value through profit or loss | | **5,485,293** | 7,385,190 |
| Loan receivables | | **19,000,000** | 19,000,000 |
| Deposits and prepayments | | **7,550,205** | 4,711,616 |
| Prepaid tax | | **2,812,125** | 300,956 |
| Restricted cash | | **4,100,000** | 4,100,000 |
| Trust accounts of shares dealing clients | | **104,776,670** | 101,447,297 |
| Cash and cash equivalents | | **81,359,380** | 101,047,584 |
| | | **442,135,685** | 698,473,756 |
| **Current liabilities** | | | |
| Amount due to an associate | | **478,907** | 2,055,580 |
| Trade and other payables | *12* | **160,263,490** | 159,308,187 |
| Bank loans and overdrafts | | **106,143,788** | 192,420,519 |
| Tax payable | | **1,639,160** | 2,344,106 |
| | | **268,525,345** | 356,128,392 |

| | Notes | **2016** | 2015 |
|---|---|---|---|
| | | ***HK$*** | *HK$* |
| **Net current assets** | | **173,610,340** | 342,345,364 |
| **Total assets less current liabilities** | | **1,419,904,543** | 1,243,444,724 |
| **Non-current liabilities** | | | |
| Bank loans | | **243,387,421** | 96,415,614 |
| Amounts due to non-controlling interests | | **2,960,000** | 2,935,000 |
| Deferred tax liabilities | | **6,980,708** | 2,333,667 |
| | | **253,328,129** | 101,684,281 |
| **Net assets** | | **1,166,576,414** | 1,141,760,443 |
| **Capital and reserves** | | | |
| Share capital | | **217,418,850** | 217,418,850 |
| Reserves | | **929,937,402** | 907,053,833 |
| **Equity attributable to owners of the Company** | | **1,147,356,252** | 1,124,472,683 |
| Non-controlling interests | | **19,220,162** | 17,287,760 |
| **Total equity** | | **1,166,576,414** | 1,141,760,443 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company is a public limited liability company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of the Company are located at Units 407-410, 4th Floor, Tower 2, Silvercord, No. 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in investment holding, property investment, development and leasing, hotel operations, manufacturing and distribution of plastic packaging materials and broking and securities margin financing during the year.

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

The financial information relating to the years ended 31 March 2016 and 31 March 2015 included in this announcement of annual results for the year ended 31 March 2016 does not constitute the Company's statutory annual consolidated financial statements for those years 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 (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 March 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 March 2016 in due course.

The Company's auditors have reported the financial statements of the Group for both years. The auditors' report was unqualified; did not include a reference to any matters to which the auditors 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.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning from 1 April 2015. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

| | |
|---|---|
| HKAS 19 (Amendments) | Defined Benefit Plans: Employee Contributions |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2010-2012 Cycle |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2011-2013 Cycle |

The application of the new and revised HKFRSs in the current years has had no significant impact on the Group's financial performance and financial positions for the current and prior years.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| HKAS 1 (Amendments) | Disclosure Initiative[1] |
| HKAS 16 and HKAS 38 (Amendments) | Clarification of Acceptable Methods of Depreciation and Amortisation[1] |
| HKAS 16 and HKAS 41 (Amendments) | Agriculture: Bearer Plants[1] |
| HKAS 27 (Amendments) | Equity Method in Separate Financial Statements[1] |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2012-2014 Cycle[1] |
| HKFRS 9 | Financial Instruments[3] |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5] |
| HKFRS 10, HKFRS 12 and HKAS 28 (Amendments) | Investment Entities: Applying the Consolidation Exception[1] |
| HKFRS 11 (Amendments) | Accounting for Acquisitions of Interests in Joint Operations[1] |
| HKFRS 14 | Regulatory Deferral Accounts[2] |
| HKFRS 15 | Revenue from Contracts with Customers[3] |
| HKFRS 16 | Leases[4] |

[1] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[4] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

[5] Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs would be in the period of initial application, but not yet in a position to state whether these new and revised HKFRSs would have a material impact on the Group's financial performance and financial position.

## 3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the HKICPA and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair values at the end of the reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

## 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 property investment, development and leasing, hotel operations, manufacturing and distribution of plastic packaging materials and 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 operations | Provision of hotel services in Hong Kong and investing, developing and leasing properties in Hong Kong and the People's Republic of China (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

| | Property investment, development and leasing/hotel operations | | Manufacturing and distribution of plastic packaging materials | | Broking and securities margin financing | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 | **2016** | 2015 |
| | ***HK$*** | *HK$* | ***HK$*** | *HK$* | ***HK$*** | *HK$* | ***HK$*** | *HK$* |
| Revenue | **43,840,999** | 45,326,432 | **420,461,770** | 442,179,293 | **40,709,772** | 34,665,873 | **505,012,541** | 522,171,598 |
| Segment results | **19,218,702** | 21,574,980 | **20,517,780** | 6,215,758 | **8,698,692** | 6,231,855 | **48,435,174** | 34,022,593 |
| Gain arising on change in fair value of investment properties | **5,370,771** | 44,358,065 | **–** | – | **–** | – | **5,370,771** | 44,358,065 |
| Gain on disposal of investment property | **–** | 107,714,185 | **–** | – | **–** | – | **–** | 107,714,185 |
| Profit from operations | **24,589,473** | 173,647,230 | **20,517,780** | 6,215,758 | **8,698,692** | 6,231,855 | **53,805,945** | 186,094,843 |
| Items reclassified from consolidated statement of comprehensive income: | | | | | | | | |
| Impairment loss recognised in respect of available-for-sale financial assets | | | | | | | **(6,425,279)** | (10,321,028) |
| Cumulative gains arising on change in fair value of disposed available-for-sale financial assets | | | | | | | **1,091,633** | – |
| Unallocated finance costs | | | | | | | **(7,834,407)** | (5,891,357) |
| Share of results of associates | | | | | | | **1,715,190** | 1,769,988 |
| Profit before tax | | | | | | | **42,353,082** | 171,652,446 |
| Unallocated income tax expense | | | | | | | **(4,322,296)** | (5,281,112) |
| Profit for the year | | | | | | | **38,030,786** | 166,371,334 |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

Segment results represent the profit earned by each segment without allocation of impairment loss recognised in respect of available-for-sale financial assets and cumulative gains arising on change in fair value of disposed available-for-sale financial assets reclassified from consolidated statement of comprehensive income, finance costs, share of results of associates and income tax expense. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

## 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 customer** | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$*** | *HK$* |
| Hong Kong | **229,073,938** | 166,983,108 |
| North America | **32,128,100** | 38,404,089 |
| Oceania | **30,098,018** | 30,406,126 |
| Europe | **41,939,164** | 46,134,484 |
| PRC | **112,651,439** | 173,647,000 |
| Other asian countries | **59,121,882** | 66,596,791 |
| | **505,012,541** | 522,171,598 |

| | **Non-current assets** *(Note)* | |
|---|---|---|
| | **2016** | 2015 |
| | ***HK$*** | *HK$* |
| Hong Kong | **1,098,020,387** | 745,108,014 |
| PRC | **98,924,700** | 99,514,379 |
| | **1,196,945,087** | 844,622,393 |

*Note:* Non-current assets excluded amounts due from the associates, available-for-sale financial assets and deferred tax assets.

## 5. REVENUE

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Sale of goods | **420,461,770** | 442,179,293 |
| Rental income and rental related income | **22,607,613** | 19,593,558 |
| Brokerage commission | **22,214,250** | 18,061,194 |
| Interest income received from clients | **17,244,273** | 14,389,655 |
| Hotel operation income | **21,233,386** | 25,732,874 |
| Dividend income from listed equity securities | **1,222,486** | 1,690,024 |
| Dividend income from unlisted equity securities | **28,763** | 525,000 |
| | **505,012,541** | 522,171,598 |

## 6. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Amortisation of leasehold land and land use right | **518,406** | 475,803 |
| Auditors' remuneration: | | |
| – Audit service | **1,419,864** | 810,870 |
| – Non-audit service | **253,000** | 202,088 |
| | **1,672,864** | 1,012,958 |
| Cost of inventories sold | **326,497,999** | 360,566,691 |
| Depreciation of property, plant and equipment | **12,449,350** | 12,011,429 |
| Direct operating expenses for generating rental income and rental related income | **1,616,927** | 130,696 |
| Exchange loss | **456,439** | 1,189,281 |
| Impairment loss recognised in respect of trade receivables | **–** | 1,210,349 |
| Loss on disposal of property plant and equipment | **368,526** | 67,196 |
| Operating lease rental in respect of office premises | **2,997,227** | 4,195,894 |
| Staff costs (including directors' remuneration): | | |
| – Salaries, wages and allowances | **53,255,175** | 50,112,068 |
| – Staff benefits | **2,471,008** | 3,278,478 |
| – Retirement benefit schemes contributions | **952,825** | 871,154 |
| | **56,679,008** | 54,261,700 |

## 7. FINANCE COSTS

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Interest expenses on: | | |
| Bank loans and overdraft | **7,205,080** | 5,260,620 |
| Amounts due to related companies | **19,678** | 209,413 |
| Other borrowings | **9,415** | 6,313 |
| Bank charges | **600,234** | 415,011 |
| | **7,834,407** | 5,891,357 |

## 8. INCOME TAX EXPENSE

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Current tax: | | |
| Provision for the year | **4,917,279** | 5,276,348 |
| Under provision in prior years | **448,398** | – |
| Deferred tax (credit) charge | **(1,043,381)** | 4,764 |
| | **4,322,296** | 5,281,112 |

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both years.

Under the Law of 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 years.

No provision for PRC Enterprise Income Tax has been made for both years as taxable profits were wholly absorbed by tax losses brought forward.

## 9. DIVIDENDS

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Dividends recognised as distribution during the year | | |
| – 2015 final dividend – HK3 cents (2015: 2014 final dividend HK3 cents) per ordinary share | **6,522,565** | 6,522,565 |
| – Special dividend – Nil (2015: HK25 cents) per ordinary share | **–** | 54,354,714 |
| | **6,522,565** | 60,877,279 |

The Board has recommended the payment of a final dividend of HK3 cents per ordinary share (2015: HK3 cents per ordinary share) in respect of the year ended 31 March 2016 to all shareholders of the Company whose name appear on the register of members of the Company on 2 September 2016. Subject to the approval of shareholders at the forthcoming annual general meeting, the payment of the final dividend will be made on or about 30 September 2016.

## 10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on profit attributable to owners of the Company of HK$37,168,950 (2015: HK$161,311,725) and on the weighted average number of 217,418,850 (2015: 217,418,850) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31 March 2016 and 2015 was the same as basic earnings per share as there was no potential outstanding shares for the years.

## 11. TRADE AND OTHER RECEIVABLES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Trade receivables from: | | |
| – Clearing house and cash clients | **28,562,736** | 62,113,094 |
| – Secured margin clients | **79,726,183** | 157,011,122 |
| – Initial public offering margin clients | **–** | 116,695,863 |
| – Other customers | **39,687,088** | 38,154,674 |
| | **147,976,007** | 373,974,753 |
| *Less:* Allowance for doubtful debts | **(9,410,948)** | (9,416,948) |
| | **138,565,059** | 364,557,805 |
| Other receivables | **19,454,294** | 22,807,622 |
| | **158,019,353** | 387,365,427 |

Trade receivables from other customers are comprised of sales of goods and rental income.

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 and initial public offering ("IPO") margin client has a credit limit.

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.

Room guests are requested to settle all outstanding balances before they check out. 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.

Other receivables are mainly comprised of life insurance plan and receivable from disposal of plant and equipment.

### (a) Aging analysis

The following is an aging analysis of trade receivables of the Group arose from clearing house and cash clients and other customers, presented based on the invoice date, which approximates the respective revenue recognition dates and net of allowance for doubtful debts:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| 0–30 days | **37,343,942** | 53,945,818 |
| 31–60 days | **4,458,331** | 2,941,785 |
| Over 60 days | **17,036,603** | 33,963,217 |
| | **58,838,876** | 90,850,820 |

IPO margin loans due from margin clients are repayable upon allotment of the IPO shares and are interest bearing at variable rate. IPO margin clients are required to pay 10% of total value of IPO shares applied as deposits.

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 bears interest at 8.25% for the year ended 31 March 2016 (2015: 8.25%). 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 31 March 2016, the total market value of securities pledged as collateral by the customers in respect of the loans to margin clients was HK$169,171,622 (2015: HK$261,817,300). No aging analysis of secured margin clients is disclosed as in the opinion of the directors of the Company, the aging analysis does not give additional value in view of the nature of business of securities margin financing.

## 12. TRADE AND OTHER PAYABLES

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| Trade payables to: | | |
| – Clearing house and cash clients | **93,272,104** | 99,987,443 |
| – Secured margin clients | **19,462,165** | 15,670,648 |
| – Other creditors | **11,355,168** | 9,986,424 |
| | **124,089,437** | 125,644,515 |
| Other payables | **36,174,053** | 33,663,672 |
| | **160,263,490** | 159,308,187 |

Trade payables to other creditors comprise of purchases of materials and supplies.

The following is an aging analysis of the trade payables at the end of the reporting period:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$*** | *HK$* |
| 0 – 30 days | **122,971,703** | 123,114,161 |
| 31 – 60 days | **809,950** | 1,479,555 |
| Over 60 days | **307,784** | 1,050,799 |
| | **124,089,437** | 125,644,515 |

## 13. COMPARATIVE FIGURES

Certain comparative figures have been re-presented to conform with the current year's presentation.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial and Business Review

For the year ended 31 March 2016, the Group recorded revenue of HK$505.0 million, a decrease of 3.3% as compared with HK$522.2 million in the preceding year, and the Group's profit for the year was HK$38.0 million, a decrease of 77.2% as compared with HK$166.4 million in the preceding year.

The annual results of the Group for the year ended 31 March 2016 recorded a significant decrease in profit as compared with the preceding year. It was mainly attributable to the decrease in the gain arising on change in fair value of the Group's investment properties of HK$39.0 million and an one-off gain on disposal of one of the Group's investment properties of HK$107.7 million incurred in the preceding year.

### *Property Investment, Development and Leasing/Hotel Operation*

This segment comprises property investment, development and leasing in Hong Kong and China and provision of hotel services in Hong Kong. For the year ended 31 March 2016, this segment recorded revenue of HK$43.8 million, a decrease of 3.3% as compared with HK$45.3 million in the preceding year, and the segment result was HK19.2 million, a decrease of 11.1% as compared with HK$21.6 million in the preceding year. Including the gain arising on change in fair value of investment properties of HK$5.4 million, the profit from operation was HK$24.6 million, a decrease of 85.8% as compared with HK$173.6 million in the preceding year.

*(i) Property Investment, Development and Leasing*

During the year, the Group acquired the whole block of Everglory Centre located at Tsim Sha Tsui, Kowloon, Hong Kong. This acquisition enlarges the investment properties portfolio of the Group and enhances source of rental income.

All of the Group's investment properties were leased out to generate rental income for the Group. For the year ended 31 March 2016, the Group's rental income and rental related income amounted HK$22.6 million, an increase of 15.3% as compared with HK$19.6 million in the preceding year. It is attributed by the rental income and rental related income generated from the newly acquired investment property during the year.

The fair value of investments properties of the Group increased slightly by HK$5.4 million as compared with the preceding year due to the economic downturn in both Hong Kong and China.

*(ii) Hotel Operation*

For the year ended 31 March 2016, the Group's hotel operation income amounted to HK$21.2 million, a decrease of 17.5% as compared with HK$25.7 million in the preceding year. Supporting by the increase of visitor arrivals to Hong Kong from South East Asia, our hotel achieved an occupancy of 88.9%, which decrease slightly as compared with 90.1% in the preceeding year, but it was better than the market average of 86.0%. The shortfall in hotel operation income was due to the significant drop in room rate by 16.6% as compared with the preceding year. The slowdown in the global economic growth, and the strengthening of the United States Dollars against other currencies making shopping and travelling to Hong Kong less appealing, leads to the negative growth in total visitors arrivals.

***Manufacturing and Distribution of Plastic Packaging Materials***

For the year ended 31 March 2016, this segment recorded a revenue of HK$420.5 million, a decrease of 4.9% as compared with HK$442.2 million in the preceding year, and the segment profit was HK$20.5 million, an increase in 2.3 times as compared with HK$6.2 million in the preceding year.

The second half of this financial year saw the price of resin slumped to USD1100/MT affecting our turnover as resin remains a significant part of our costs; however, we were able to minimize the effect with an overall growth in sales volume primarily led by Greater China market.

Our manufacturing business was generally robust as we continued to modernise our manufacturing facilities and adopted innovative technologies to strengthen our productivity and capability.

Our retail business in Mainland China was faced with intense market competition as we continued to protect our existing channels, launched new products and expedited our marketing campaigns on both offline and online to build brand awareness and capture market shares.

***Broking and Securities Margin Financing***

For the year ended 31 March 2016, this segment recorded brokerage commission of HK$22.2 million, an increase of 22.7% as compared with HK$18.1 million in the preceding year, and interest income received from clients of HK$17.2 million, an increase of 19.4% as compared with HK$14.4 million in the preceding year. The segment profit was HK$8.7 million, a revenue of 40.3% as compared with HK$6.2 million in the preceding year.

During the first half of the year, the 'Mad Bull' market appeared which boosted the Hang Seng Index to its highest point of 28,589 with the average daily turnover over HK$150 billion. After sequential measures taken by the China Securities Regulatory Commission to suppress the overwhelming of the stock market, and the foreign investors harvested and withdrawn from the market, Hong Kong stock market dropped by 36% to the lowest point of the financial year of 18,279 on February 2016. Average daily turnover drop to around HK$50 billion. The low trading volume adversely affected our business in the second half of this financial year.

We have integrated some of our branches and commodities sections to our head office in October this year. It would significantly reduce the rental expenses and provide the flexibility in deploying manpower and sharing in resources and make efficient in control and management.

According to the statistics provided by HKFE, Stockwell Commodities Limited ranks 30th among the 150 futures trading participants.

### Strategies and Prospects

Looking ahead, as the unstable and the volatility of global economic environment, 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*

In Hong Kong, the factors of low interest rate environment and limitation of land supply will continue to benefit the local property market. Rental income from the Group's investment properties is expected to remain stable while certain rental leases have been adjusted during contract renewal according to market conditions.

#### *Hotel Operation*

The market conditions for the tourist and hotel industry in Hong Kong is expected to be competitive and challenging. Unstable economic and political environment in Hong Kong, the slow down of the pace of economic growth in China, the opening of Disneyland in Shanghai this summer and the increasing supply of boutique hotels are creating uncertainties in the tourist and hotel industry. To maintain competitive, we gear towards mobile bookings to drive for occupancy growth and focus on controlling costs and improving the physical conditions of our hotel for offering the best service to our guests.

#### *Manufacturing and Distribution of Plastic Packaging Materials*

The global economy in the coming year will be more volatile given that it is the reelection year for many countries coupled with a downturn in China which will have a significant impact on the rest of the world. The Chinese government announced the country's next five-year plan of national economic and social development, set growth targets and defined development blueprint for 2016-20 at the fifth plenary session back in October. However, it is expected that the operating environment will be full of challenges as leaders around the world attempt to revive their own economy with all possible economic and political measures.

Despite the current difficult economic conditions, we will continue to strive for better quality of our products and services and to modernise our manufacturing facilities, automate our workflow to improve operational efficiency and adopt innovative technologies to strengthen our productivity and capability.

As always, we remained committed to strengthen our foothold in the retail business in Mainland China and will allocate more resources to conduct promotional activities, grow our product portfolio and expand our distribution network.

***Broking and Securities Margin Financing***

Our business is inevitably affected by the external market volatility like the schedule of rise in interest rate by the US Government, fears of the slowdown in worldwide economy, the achievement of "One Belt One Road" initiative, and the boundless bond issued in China.

Despite facing difficult moment of the industry, we continue to enhance our trading platform in order to provide quality services in cope with our long-term strategic plan.

**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 31 March 2016, cash and cash equivalents were HK$81.4 million (2015: HK$101.0 million) and trade and other receivables were HK$158.0 million (2015: HK$387.4 million). Trade and other payables were HK$160.3 million (2015: HK$159.3 million). The decrease in cash and bank equivalents was primarily attributable to material acquisition during the year. The decrease in trade and other receivables was mainly attributed to the decrease in receivables from clearing house and cash clients, secured margin clients and initial public offering margin client.

As at 31 March 2016, the Group's bank loans and overdraft increased from HK$288.8 million as at 31 March 2015 to HK$349.5 million, in which the short term borrowings amounted to HK$106.1 million (2015: HK$192.4 million) and long term borrowings amounted to HK$243.4 million (2015: HK$96.4 million). The Group's current year net debt to equity ratio was 23.3% (2015: 16.7%), calculated on the basis of the Group's bank loans and overdraft less cash and cash equivalents divided by total equity attributable to owners of the Company. The rise in the net debt to equity ratio was mainly due to the new bank loans for material acquisition during the year.

**Capital Structure**

As at 31 March 2016, the total equity attributable to owners of the Company amounted to HK$1,147.4 million (2015: HK$1,124.5 million). The Group's consolidated net assets per share as at the reporting date was HK$5.37 (2015: HK$5.25).

**Foreign Exchange Exposure**

The Group operates in Hong Kong and the PRC and majority of transactions are denominated in Hong Kong dollars ("HK$"), United State dollars ("US$") and Renminbi ("Rmb"). Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group and the Company.

The Group is not exposed to foreign exchange risk in respect of HK$ against the US$ as long as US$ is pegged.

To minimise exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in HK$ and US$. The Group has no significant exposure to foreign exchange rate fluctuations.

The transactions and monetary assets and liabilities denominated in Rmb outside the PRC is minimal, the Group consider that there is no significant foreign exchange risk in respect of Rmb.

**Material Acquisitions and Disposals**

On 29 May 2015, the Company and Merit Ascent International Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Kasing Investment Limited (the "First Seller") and Sunlight REIT Finance Limited (the "Second Seller") pursuant to which the Purchaser agreed to purchase, and the First Seller agreed to sell the entired issued share capital of Strong Bright Technology Limited (the "Target") and the First Seller agreed to assign the benefit of the shareholder loan owed by the Target to the Purchaser and the Second Seller agreed to assign the benefit of the sales loan owned by the Target to the Purchaser for a total consideration of HK$337,617,704.

The acquisition was completed at 31 July 2015.

Save as disclosed above, during the year ended 31 March 2016, there was no other material acquisitions or disposals of subsidiaries or associated companies.

### Employees and Remuneration Policies

The Group had 483 employees as at 31 March 2016. Employees were remunerated according to nature of the job and market trend.

## DIVIDENDS

The Board has recommended the payment of a final dividend of HK3 cents per ordinary share (2015: HK3 cents per ordinary share) in respect of the year ended 31 March 2016 to all shareholders of the Company whose name appear on the register of members of the Company on 2 September 2016. Subject to the approval of shareholders at the forthcoming annual general meeting, the payment of the final dividend will be made on or about 30 September 2016.

## ANNUAL GENERAL MEETING

The Annual General Meeting (the "AGM") will be convened to be held on Friday, 26 August, 2016. The Notice of AGM will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and sent to the shareholders of the Company, together with the Company's 2015/16 Annual Report, in due course.

## CLOSURE OF REGISTER OF MEMBERS FOR AGM

The register of members of the Company will be closed from Tuesday, 23 August 2016 to Friday, 26 August 2016, both days inclusive, during which period no share transfers can be registered. In order to eligible to attend and vote at the AGM, all transfer, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, General Secretarial Services Limited at 26th Floor, KP Tower, 93 King's Road, North Point, Hong Kong, not later than 4:30 p.m. on Monday, 22 August 2016.

## CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

The register of members of the Company will be closed from Thursday, 1 September 2016 to Friday, 2 September 2016, both dates inclusive, during which period no share transfers can be registered. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, General Secretarial Services Limited at 26th Floor, KP Tower, 93 King's Road, North Point, Hong Kong, Hong Kong, not later than 4:30 p.m. on Wednesday, 31 August 2016.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the year, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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.4.1, non-executive directors should be appointed for a specific term. Currently, non-executive directors are not appointed for a specific term but they are subject to retirement by rotation and become eligible for re-election at each annual general meeting under the articles of association of the Company. The deviation is deemed appropriate as the retirement by rotation has given the Company's Shareholders the right to approve or disapprove the continuation of the service of non-executive directors.

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 year, certain non-executive directors were unable to attend the annual general meeting of the Company held on 21 August 2015 as they 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, comprising four independent non-executive directors of the Company, and two non-executive directors of the Company, has reviewed the financial reporting process, risk management and internal control system of the Group. The annual results of the Group for the year ended 31 March 2016 have been reviewed by the Audit Committee, prior to their approval by the Board.

## PUBLICATION OF FINANCIAL INFORMATION

This results announcement is available for viewing on the website of the Stock Exchange of Hong Kong Limited at www.hkexnews.hk and on the website of the Company at www.seapnf.com.hk. The Company's annual report for 2015/2016 will be despatched to the Shareholders of the Company and available on the above websites in due course.

On behalf of the Board
**Southeast Asia Properties & Finance Limited**
**Chua Nai Tuen**
*Chairman and Managing Director*

Hong Kong, 3 June 2016

*As at the date of this announcement, the board of directors of the Company comprises: (1) Executive directors: Mr. Chua Nai Tuen (Chairman and Managing Director), Mr. Chua Nai King (Deputy Chairman), Mr. Nelson Junior Chua and Mr. Gilson Chua; (2) Non-executive directors: Mr. Chan Man Hon, Eric, Mr. Jimmy Siy Tiong, Mr. Rene Siy Chua, Mr. Tsai Han Yung, Mr. Samuel Siy Yap and Ms. Vivian Chua; and (3) Independent non-executive directors: Mr. Chan Siu Ting, Mr. James L. Kwok, Mr. Wong Shek Keung, Mr. Tsui Ka Wah and Mr. Tsai Sui Cheung, Andrew.*