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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>

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

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 2018 (the “**Reporting Period**”), together with the comparative figures of the corresponding period in 2017 (the “**Previous Reporting Period**”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2018

		Six months ended 30 September	
		2018	2017
	Notes	HK\$	HK\$
		(Unaudited)	(Unaudited)
Revenue	5	281,266,636	268,102,729
Cost of sales		<u>(230,620,730)</u>	<u>(222,430,954)</u>
Gross profit		50,645,906	45,671,775
Other revenue and other income		1,491,180	3,298,211
(Loss) gain arising on change in fair value of investment properties		(1,349,820)	22,765,562
Gain arising on change in fair value of financial assets at fair value through profit or loss		3,286,528	3,825,340
Selling and distribution expenses		(5,496,955)	(4,947,437)
Administrative expenses		(36,672,761)	(25,608,765)
Other operating income (expenses)		<u>1,079,899</u>	<u>(2,126,262)</u>
Profit from operations	6	12,983,977	42,878,424
Cumulative gain reclassified from equity to profit or loss upon derecognition of available-for-sale financial assets		–	2,229,867
Finance costs	7	(5,598,325)	(3,461,341)
Share of results of associates		<u>(1,719,612)</u>	<u>2,186,150</u>
Profit before tax		5,666,040	43,833,100
Income tax expense	8	<u>(3,755,092)</u>	<u>(3,779,849)</u>
Profit for the period		<u>1,910,948</u>	<u>40,053,251</u>
Profit for the period attributable to:			
Owners of the Company		1,492,281	39,507,858
Non-controlling interests		<u>418,667</u>	<u>545,393</u>
		<u>1,910,948</u>	<u>40,053,251</u>
Earnings per share			
Basic and diluted (HK cents)	10	<u>0.66</u>	<u>18.17</u>

Details of dividends are set out in note 9.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Profit for the period	1,910,948	40,053,251
Other comprehensive (loss) income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Gain arising on fair value change of available-for-sale financial assets	–	3,201,927
Exchange differences on translation of foreign operations	(13,956,701)	5,953,831
Share of exchange reserve of associates	(1,263,132)	(2,084,581)
Reclassification adjustments relating to available-for-sale financial assets disposed of	–	(2,229,867)
Other comprehensive (loss) income for the period	(15,219,833)	4,841,310
Total comprehensive (loss) income for the period	(13,308,885)	44,894,561
Total comprehensive (loss) income for the period attributable to:		
Owners of the Company	(12,959,757)	44,072,671
Non-controlling interests	(349,128)	821,890
	(13,308,885)	44,894,561

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

		30 September 2018 HK\$ (Unaudited)	31 March 2018 HK\$ (Audited)
	Notes		
Non-current assets			
Investment properties		903,400,096	904,749,916
Property, plant and equipment		293,287,276	188,503,557
Leasehold land and land use right		13,957,449	15,429,937
Interests in associates		91,718,050	82,368,370
Available-for-sale financial assets		–	2,751,000
Intangible assets		3,702,706	3,702,706
Deferred tax assets		1,436,442	1,173,324
Other assets		2,700,000	2,867,857
Deposit paid for acquisition of property		–	5,500,000
		<u>1,310,202,019</u>	<u>1,207,046,667</u>
Current assets			
Inventories		55,848,667	76,611,756
Stock of property		131,533,143	124,197,018
Trade and other receivables	11	153,152,632	133,798,881
Financial assets at fair value through profit or loss		8,914,500	28,177,000
Deposits and prepayments		10,516,710	9,939,104
Prepaid tax		5,098,894	2,399,480
Restricted cash		4,100,000	4,100,000
Trust accounts of shares dealing clients		93,999,411	105,805,007
Cash and cash equivalents		90,332,305	90,240,509
		<u>553,496,262</u>	<u>575,268,755</u>
Assets classified as assets held for sale		–	886,000
		<u>553,496,262</u>	<u>576,154,755</u>
Current liabilities			
Trade and other payables	12	160,028,413	184,290,654
Bank loans		206,107,419	84,961,172
Amount due to an associate		771,375	1,449,606
Tax payable		5,772,594	1,642,225
		<u>372,679,801</u>	<u>272,343,657</u>

	30 September 2018 HK\$ (Unaudited)	31 March 2018 HK\$ (Audited)
Net current assets	180,816,461	303,811,098
Total assets less current liabilities	1,491,018,480	1,510,857,765
Non-current liabilities		
Bank loans	191,772,509	198,289,386
Amounts due to non-controlling interests	3,060,000	3,060,000
Deferred tax liabilities	10,078,925	10,092,448
	204,911,434	211,441,834
Net assets	1,286,107,046	1,299,415,931
Capital and reserves		
Share capital	245,062,941	245,062,941
Reserves	1,033,427,562	1,046,387,319
Equity attributable to owners of the Company	1,278,490,503	1,291,450,260
Non-controlling interests	7,616,543	7,965,671
Total equity	1,286,107,046	1,299,415,931

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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

The condensed consolidated financial statements are presented in Hong Kong dollars (“**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 2018 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 2018 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 fair value through profit or loss (“**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 2018.

3. **PRINCIPAL ACCOUNTING POLICIES**

The accounting policies applied are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2018.

The Group has adopted the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these condensed consolidated financial statements:

HKAS 40 (Amendments)	Transfers of Investment Property
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle except HKFRS 12 (Amendments)
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 <i>Insurance Contracts</i>
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration

HKFRS 9 Financial Instruments

As permitted by the transitional provisions of HKFRS 9, the Group has elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies:

Classification of financial assets and financial liabilities

HKFRS 9 categorizes financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the Group's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

On 1 April 2018, the Group assesses its financial assets and listed equity investments amounting HK\$2,751,000 were reclassified from available-for-sale (“AFS”) financial assets to financial assets at FVTPL.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

Save as disclosed above, the application of HKFRS 9 and HKFRS 15 had no material impact on the unaudited condensed consolidated interim results and no adjustment to the opening balance of equity at 1 April 2018 was recognised.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has commenced assessment on the impact of these new HKFRSs but is not yet in a position to conclude whether these new HKFRSs will have a material impact on its results of operation and financial position.

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	Investing, developing and leasing properties in Hong Kong and the People’s Republic of China (the “ PRC ”) and provision of hotel services in Hong Kong
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		Manufacturing and distribution of plastics packaging materials		Broking and securities margin financing		Consolidated	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September		30 September	
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	<u>22,669,212</u>	<u>20,968,392</u>	<u>249,097,891</u>	<u>231,622,891</u>	<u>9,499,533</u>	<u>15,511,446</u>	<u>281,266,636</u>	<u>268,102,729</u>
Segment results	(4,093,465)	5,788,604	13,184,788	5,120,640	5,242,474	9,203,618	14,333,797	20,112,862
(Loss) gains arising on change in fair value of investment properties	<u>(1,349,820)</u>	<u>22,765,562</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,349,820)</u>	<u>22,765,562</u>
(Loss) profit from operations	(5,443,285)	28,554,166	13,184,788	5,120,640	5,242,474	9,203,618	12,983,977	42,878,424
Cumulative gain reclassified from equity to profit or loss upon derecognition of AFS financial assets							-	2,229,867
Unallocated finance costs							(5,598,325)	(3,461,341)
Share of results of associates							<u>(1,719,612)</u>	<u>2,186,150</u>
Profit before tax							5,666,040	43,833,100
Unallocated income tax expense							<u>(3,755,092)</u>	<u>(3,779,849)</u>
Profit for the period							<u>1,910,948</u>	<u>40,053,251</u>

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

Segment results represent the profit earned by each segment without allocation of cumulative gain reclassified from equity to profit or loss upon derecognition of AFS financial assets, finance costs, share of results of associates and income tax expense. This is the measure reported to the CODM for the purposes of resource 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 customers	
	Six months ended 30 September	
	2018	2017
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Hong Kong	66,948,085	67,744,491
North America	12,231,592	10,393,085
Oceania	38,518,719	20,892,315
Europe	14,768,765	19,629,200
PRC	118,256,407	122,352,741
Other Asian countries	30,543,068	27,090,897
	<u>281,266,636</u>	<u>268,102,729</u>
Non-current assets (Note)		
	30 September	31 March
	2018	2018
	HK\$	HK\$
	(Unaudited)	(Audited)
Hong Kong	1,163,767,461	1,055,356,413
PRC	98,196,585	107,796,820
	<u>1,261,964,046</u>	<u>1,163,153,233</u>

Note: Non-current assets excluded financial instruments and deferred tax assets.

5. REVENUE

	Six months ended 30 September	
	2018	2017
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Sale of goods	249,097,891	231,622,891
Rental income and rental related income	10,578,803	10,528,781
Brokerage commission	5,560,439	8,203,677
Interest income received from clients	3,839,673	6,756,309
Hotel operation income	12,090,409	10,439,611
Dividend income from listed equity securities	99,421	551,460
	281,266,636	268,102,729

6. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging (crediting):

	Six months ended 30 September	
	2018	2017
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Cost of inventories sold	198,472,321	190,719,455
Exchange (gain) loss, net	(1,137,092)	2,094,238
Spin-off expenses (<i>Note</i>)	9,928,456	–
Staff costs (including directors' remuneration)		
— Salaries, wages and allowances	26,759,301	25,733,742
— Staff benefits	157,541	447,645
— Retirement benefit schemes contributions	433,105	423,128
	27,349,947	26,604,515
Gain on disposal of financial assets at FVTPL	(3,077,406)	–
Gain on fair value change of financial assets at FVTPL	(209,122)	(3,825,340)
	(3,286,528)	(3,825,340)
Impairment loss recognised in respect of trade receivables	392,521	–
Operating lease rental in respect of office premises	679,214	713,214
Amortisation of leasehold land and land use right	254,745	241,680
Depreciation of property, plant and equipment	6,906,581	6,301,678

Note: The amount represents expenses incurred for processing the spin-off and separate listing of the Group's hotel business on GEM of the Stock Exchange.

7. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Interest expenses on:		
Bank loans and overdraft	5,270,694	3,142,508
Amounts due to a related company	–	18,248
Other borrowings	5,151	4,075
Bank charges	322,480	296,510
	<u>5,598,325</u>	<u>3,461,341</u>

8. INCOME TAX EXPENSE

The income tax expense is as follow:

	Six months ended 30 September	
	2018	2017
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Current tax:		
Provision for the period	4,031,733	3,163,614
Deferred tax (credit) charge	<u>(276,641)</u>	<u>616,235</u>
	<u>3,755,092</u>	<u>3,779,849</u>

Hong Kong profits tax is calculated at 16.5% (six months ended 30 September 2017: 16.5%) on the estimated assessable profit for the period.

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% (six months ended 30 September 2017: 25%).

9. DIVIDENDS

The Board does not recommend the payment of any interim dividends in respect of the period (six months ended 30 September 2017: HK1.5 cents).

Final dividends relating to the year ended 31 March 2018 amounting to HK\$6,762,601 were paid in October 2018.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to owners of the Company HK\$1,492,281 (six months ended 30 September 2017: HK\$39,507,858) and on the weighted average 225,420,034 (six months ended 30 September 2017: 217,418,850) ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share presented for the six months ended 30 September 2017 and 2018 as the Group had no potentially diluted ordinary shares in issue during those periods.

11. TRADE AND OTHER RECEIVABLES

	30 September 2018 HK\$ (Unaudited)	31 March 2018 HK\$ (Audited)
Trade receivables from:		
— Clearing house and cash clients	16,724,638	10,380,173
— Secured margin clients	72,599,048	74,501,012
— Other customers	56,952,040	49,209,234
	146,275,726	134,090,419
<i>Less:</i> Allowance for doubtful debts	(392,521)	(9,410,948)
	145,883,205	124,679,471
Other receivables	7,269,427	9,119,410
	153,152,632	133,798,881

Trade receivables from other customers comprised 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 has a credit limit.

Trade receivables of manufacturing and distribution of plastics 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 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:

	30 September 2018 HK\$ (Unaudited)	31 March 2018 HK\$ (Audited)
0-30 days	43,441,555	33,819,736
31-60 days	18,698,430	8,059,968
Over 60 days	11,144,172	8,298,755
	<u>73,284,157</u>	<u>50,178,459</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 bears interest at 8.25% to 8.5% for the six months ended 30 September 2018 (31 March 2018: 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 30 September 2018, the total market value of securities pledged as collateral by the customers in respect of the loans to margin clients was HK\$183,140,637 (31 March 2018: HK\$194,660,860). At 30 September 2018, the pledged value of securities of margin clients to bank for banking facilities granted to the Group was HK\$3,390,800 (31 March 2018: HK\$10,044,400). No aging analysis of secured margin clients included 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

	30 September 2018 HK\$ (Unaudited)	31 March 2018 HK\$ (Audited)
Trade payables to:		
— Clearing house and cash clients	86,611,815	96,588,959
— Secured margin clients	22,318,264	22,115,663
— Others creditors	14,829,515	32,756,386
	<u>123,759,594</u>	<u>151,461,008</u>
Other payables	<u>36,268,819</u>	<u>32,829,646</u>
	<u><u>160,028,413</u></u>	<u><u>184,290,654</u></u>

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

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

	30 September 2018 HK\$ (Unaudited)	31 March 2018 HK\$ (Audited)
0-30 days	123,241,471	150,454,195
31-60 days	19,322	398,774
Over 60 days	498,801	608,039
	<u>123,759,594</u>	<u>151,461,008</u>

13. OTHER AND SUBSEQUENT EVENT

On 14 September 2017, the Stock Exchange confirmed that the Company may proceed with the spin-off (the “**Proposed Spin-off**”) and separate listing (the “**Listing**”) of the Group’s hotel business on GEM of the Stock Exchange. On 23 May 2018, the wholly-owned subsidiary of the Company, Hotel Benito Holdings Limited (“**HBH**”) submitted a listing application (the “**Application**”) to the Stock Exchange to apply for the Listing, by way of introduction of, the HBH’s shares on GEM of the Stock Exchange. On 18 September 2018, HBH received a letter from the Stock Exchange, which stated that the GEM Listing Approval Group of the Listing Department of the Stock Exchange (the “**Approval Group**”) held a meeting on 12 September 2018 and resolved to reject the Application. On 6 November 2018, HBH applied to the Stock Exchange for review of the decision of the Approval Group made on 12 September 2018 in relation to the Application. The Company will make further announcement(s) as and when appropriate if there is further development in relation to the Proposed Spin-off.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

For the Reporting Period, the Group recorded revenue of HK\$281.3 million, an increase of HK\$13.2 million, or 4.9% as compared with HK\$268.1 million in the Previous Reporting Period. The Group's profit for the Reporting Period was HK\$1.9 million, a significant decrease of 38.1 million or 95.2% as compared with HK\$40.1 million in the Previous Reporting Period.

The interim results of the Group for the Reporting Period recorded a significant decrease in profit as compared with the Previous Reporting Period. It was mainly attributable to the loss arising on change in fair value of the Group's investment properties of HK\$1.3 million (Previous Reporting Period: gain of HK\$22.8 million) and spin-off expenses of HK\$9.9 million incurred for the Proposed Spin-off and the Listing of the Group's hotel business on GEM of the Stock Exchange.

Property Investment, Development and Leasing/Hotel Operation

This segment comprises property investment, development and leasing in Hong Kong and PRC and provision of hotel services in Hong Kong. For the Reporting Period, this segment recorded revenue of HK\$22.7 million, an increase of HK\$1.7 million, or 8.1% as compared with HK\$21.0 million in the Previous Reporting Period. Including the loss arising on change in fair value of investment properties of HK\$1.3 million, the loss from operations was HK\$5.4 million, a decrease of HK\$34.0 million, or 119.1% as compared with the profit from operations of HK\$28.6 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\$10.6 million, which was more or less at the same level as compared with the Previous Reporting Period. The change of tenant mix and the progressive conversion of Everglory Centre are still in place during the Reporting Period. Loss arising on change in fair value of investment properties of the Group amounted to HK\$1.3 million, compared with gain in Previous Reporting Period amounted to HK\$22.8 million mainly due to signs of moderation after buoyant property market in preceding year and depreciation in Renminbi ("RMB") against HK\$ in the Reporting Period.

(ii) *Hotel Operations*

For the Reporting Period, the hotel achieved a total room revenue of HK\$12.1 million, which represented an increase of HK\$1.7 million, or 15.8% over the HK\$10.4 million in the Previous Reporting Period. The occupancy rate was 95.4%, which was up by 3.0% as compared to last period and above industry average of 91% together with the average room rate was up by 12.1%, resulting in a significant enhancement in revenue per available room (RevPAR) of 15.7% year-on-year.

Manufacturing and Distribution of Plastic Packaging Materials

The segment recorded revenue of HK\$249.1 million for the Reporting Period, an increase of 7.5% from HK\$231.6 million in the Previous Reporting Period, and an increase in operating profit by HK\$8.1 million, or 157.5% from HK\$5.1 million to HK\$13.2 million as compared to the Previous Reporting Period. The increase in segment profit was mainly due to the increase in sales of plastic packaging products couple with an exchange rate gain due to the depreciation of RMB.

The United States has imposed tariffs on 250 billion United State dollars (“US\$”) worth of Chinese products and it is inevitable that plastic packaging products are on the latest proposed tariff list. The additional 10% tariff rate started on 24 September 2018 and may increase to 25% by the end of 2018. Since the announcement of additional tariff in July, orders from the US has dropped significantly, however, we have seen growth in both domestic and non-US export markets to offset the trade tension between China and US.

Due to the economic threat posed by the US trade war, RMB has weakened by about 9% against the US\$ since the beginning of April. The depreciation of RMB has helped minimised the effect from the increase in minimum wages from RMB1,510 to RMB1,720 in Dongguan on July. Furthermore, China rolled out value-added tax (VAT) cuts from 17% to 16% in manufacturing sectors effective from May, has helped reduce the overall corporate tax burden.

Broking and Securities Margin financing

During the Reporting Period, our operating environment remained challenging. Hang Seng Index slipped by 5,370 points to 26,220 points from its highest points of 31,590, with the Sino-US trade war showing no signs of abating. The losses were also triggered by the off-shore RMB weakening amid United States 10-year treasury yields surged to the highest level. Clients became observably and hesitated to enter into the market. This segment recorded a decrease in trading volume which was adversely affected by the market sentiment.

For the Reporting Period, the revenue was HK\$9.5 million, a decline of HK\$6.0 million, or 38.8% as compared with HK\$15.5 million in the Previous Reporting Period. The segment result was HK\$5.2 million, which decreased by HK\$4.0 million or 43.0% as compared with HK\$9.2 million in the Previous Reporting Period. The significant decrease was mainly due to negative sentiment surrounding the financial market in the second and third quarters in 2018.

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 2018, cash and cash equivalents was HK\$90.3 million (31 March 2018: HK\$90.2 million). As at 30 September 2018, the current ratio of the Group was approximately 1.5 (31 March 2018: approximately 2.1).

The Group's bank loans increased by HK\$114.6 million from HK\$283.3 million as at 31 March 2018 to HK\$397.9 million, as at 30 September 2018, in which the short-term loans amounted HK\$206.1 million (31 March 2018: HK\$85.0 million) and long-term loans amounted HK\$191.8 million (31 March 2018: HK\$198.3 million). The Group's current period net debt to equity ratio was 23.7% (31 March 2018: 14.6%), 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. The increase in the net debt to equity ratio resulted mainly from increase in bank loans used for acquisition of property.

Capital Structure

As at 30 September 2018, the Group's total equity attributable to owners of the Company amounted to HK\$1,278.5 million (31 March 2018: HK\$1,291.5 million). The Group's consolidated net assets per share as at 30 September 2018 was HK\$5.71 (31 March 2018: HK\$5.76).

Foreign Exchange Exposure

The Group operates in Hong Kong and the PRC and majority of transactions are denominated in HK\$, US\$ and 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\$. 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 considered that there is no significant foreign exchange risk in respect of Rmb.

Material Acquisitions and Disposals

The Group had no material acquisitions or disposals of subsidiaries or associated companies during the six months ended 30 September 2018.

Employees and Remuneration Policies

The Group had 394 employees as at 30 September 2018 (31 March 2018: 423). The remuneration policies are determined with reference to the market conditions and individual performance of staff.

STRATEGIES AND PROSPECTS

Looking ahead, due to the instability and the volatility of global economic environment, we will cautiously monitor the performance and financial position of the Group and adjust our business strategies in case of need.

Property Investment, Development and Leasing

The construction into office building of our bare site of No. 111 King's Road, North Point, Hong Kong is estimated to be completed in the first quarter of 2019.

The Group has completed the acquisition of the property in Kwai Chung in the current period and this acquisition has enriched the property portfolio of the Group for future development.

With the ongoing US-China trade tensions and continuance of the US monetary policy normalisation process, investor sentiment in Hong Kong property market appears to have deteriorated. The Group will consider opportunities with respective strategies in order to make use of our property portfolio to generate favorable return.

Hotel Operations

The recent trade disputes between the United States and China, the continued geopolitical tension and the increasing competition with the opening of new hotels within the immediate vicinity are posting uncertainties to the hotel and tourism industry. However, the increasing economic integration with the Mainland and the overnight visitors from Mainland China remain strong, we are positive for the outlook for the next six months. The hotel will continue to focus on flexible rate strategies, proactive sales and marketing strategies with online travel agents as well as through our hotel website, to maintain our service quality and improving the existing physical condition of the hotel.

Manufacturing and Distribution of Plastic Packaging Materials

China is facing an increasingly hostile international environment and the immediate economic threat posed by the US trade war has caused negative impact on the industries of both nations and global trade. The uncertainty is spurring foreign and Chinese firms to consider moving parts of their supply chains out of the US and China over the longer term to minimise the political risk between the two nations.

Faced with growing downward pressure on the economy, China pledges to maintain supportive policies toward private businesses, with tax cuts to ease the tax burdens for the private sector, incentives to boost innovation and stimulus to shore up confidences to stabilise the economy.

“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. The European Union has voted to ban single-use plastics by 2021 and the use of plastics for which no alternatives currently exist — mostly food packaging — will have to be cut down by 25% by 2025.

In the era of constant changes, we will continue to strengthen our efforts on diversifying into other markets and invest in tools to automate our workflows and improve our operational efficiency.

Broking and Securities Margin Financing

The global economy in the coming year remains unstable and volatile. Our business is exposed to the trade war risk arising concern it will hurt the economy of China. The slow down in Purchasing Managers’ Index (PMI) in China indicated the insight of the worries. Together with ongoing weakness in RMB and speeding up cycle of increase in interest rate, China and Hong Kong stock markets may constrain by various factors.

As our business performance is highly correlated with the market behavior, we will adopted prudent measures in our margin financing in the fluctuated market, review and adjust our strategies constantly.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividends for the Reporting Period (Previous Reporting Period: HK1.5 cents).

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, certain non-executive directors and an independent non-executive director were unable to attend the annual general meeting of the Company held on 31 August 2018 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 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 six months ended 30 September 2018 have been reviewed by the Audit Committee, prior to their approval by the Board.

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 2018/2019 will be despatched to the shareholders of the Company and available on the above website in due course.

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

Hong Kong, 30 November 2018

As at the date of this announcement, the Board comprises: (a) Executive Directors: Mr. Chua Nai Tuen, Mr. Nelson Junior Chua, Mr. Gilson Chua; (b) Non-executive Directors: Mr. Chan Man Hon, Eric, Mr. Jimmy Siy Tiong, Mr. Samuel Siy Yap, Mr. Tsai Han Yung, Ms. Vivian Chua; and (c) Independent Non-executive Directors: Mr. Chan Siu Ting, Mr. James L. Kwok, Mr. Wong Shek Keung, Mr. Tsui Ka Wah.