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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 2019**

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 2019 (the “**Reporting Period**”), together with the comparative figures of the corresponding period in 2018 (the “**Previous Reporting Period**”) as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
	Notes	HK\$	HK\$
		(Unaudited)	(Unaudited)
Revenue	5	186,399,695	281,266,636
Cost of sales		(134,019,196)	(230,620,730)
Gross profit		52,380,499	50,645,906
Other revenue and other income		1,325,347	1,491,180
Loss arising on change in fair value of investment properties		(36,538,112)	(1,349,820)
(Loss) gain arising on change in fair value of financial assets at fair value through profit or loss		(917,282)	3,286,528
Selling and distribution expenses		(4,019,558)	(5,496,955)
Administrative expenses		(25,626,066)	(36,672,761)
Other operating (expenses) income		(194,764)	1,079,899
(Loss) profit from operations	6	(13,589,936)	12,983,977
Finance costs	7	(6,760,884)	(5,598,325)
Share of results of associates		(1,437,206)	(1,719,612)
(Loss) profit before tax		(21,788,026)	5,666,040
Income tax expense	8	(3,371,129)	(3,755,092)
(Loss) profit for the period		(25,159,155)	1,910,948
(Loss) profit for the period attributable to:			
Owners of the Company		(25,715,844)	1,492,281
Non-controlling interests		556,689	418,667
		(25,159,155)	1,910,948
(Loss) earnings per share			
Basic and diluted (HK cents)	10	(11.4)	0.66

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019	2018
	HK\$	HK\$
	(Unaudited)	(Unaudited)
(Loss) profit for the period	(25,159,155)	1,910,948
Other comprehensive loss		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(8,987,929)	(13,956,701)
Share of exchange reserve of associates	—	(1,263,132)
Other comprehensive loss for the period	(8,987,929)	(15,219,833)
Total comprehensive loss for the period	(34,147,084)	(13,308,885)
Total comprehensive loss for the period attributable to:		
Owners of the Company	(34,140,325)	(12,959,757)
Non-controlling interests	(6,759)	(349,128)
	(34,147,084)	(13,308,885)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

		30 September 2019 HK\$ (Unaudited)	31 March 2019 HK\$ (Audited)
	Notes		
Non-current assets			
Investment properties		998,019,508	1,027,755,824
Property, plant and equipment		165,080,326	174,119,977
Right-of-use assets		14,580,587	–
Leasehold land and land use right		–	14,009,506
Interests in associates		17,632,468	18,547,136
Intangible assets		3,702,706	3,702,706
Deferred tax assets		2,156,138	1,897,682
Other assets		2,700,000	2,700,000
		<u>1,203,871,733</u>	<u>1,242,732,831</u>
Current assets			
Inventories		50,423,278	55,564,109
Stock of property		131,811,500	130,000,000
Trade and other receivables	11	121,197,832	156,350,723
Financial assets at fair value through profit or loss		6,757,500	8,883,000
Deposits and prepayments		8,269,792	12,615,707
Prepaid tax		1,798,724	2,090,040
Restricted cash		4,100,000	4,100,000
Trust accounts of shares dealing clients		81,565,141	78,365,690
Cash and cash equivalents		108,016,385	91,012,693
		<u>513,940,152</u>	<u>538,981,962</u>
Current liabilities			
Trade and other payables	12	125,828,814	136,855,146
Contract liabilities		2,510,472	2,637,312
Bank loans		184,057,792	202,229,468
Lease liabilities		1,314,048	–
Amount due to an associate		1,423,560	1,158,234
Tax payables		3,960,035	2,128,083
		<u>319,094,721</u>	<u>345,008,243</u>

	30 September 2019 HK\$ (Unaudited)	31 March 2019 HK\$ (Audited)
Net current assets	194,845,431	193,973,719
Total assets less current liabilities	1,398,717,164	1,436,706,550
Non-current liabilities		
Bank loans	182,486,041	186,747,955
Lease liabilities	335,585	–
Amounts due to non-controlling interests	3,110,000	3,110,000
Deferred tax liabilities	10,615,712	10,531,685
	196,547,338	200,389,640
Net assets	1,202,169,826	1,236,316,910
Capital and reserves		
Share capital	245,062,941	245,062,941
Reserves	948,621,905	982,762,230
Equity attributable to owners of the Company	1,193,684,846	1,227,825,171
Non-controlling interests	8,484,980	8,491,739
Total equity	1,202,169,826	1,236,316,910

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

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 2019 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 2019 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 2019.

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 2019.

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 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term interests in Associates and Joint Ventures
HKFRS (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments

The changes in accounting policies upon the adoption of HKFRS 16 *Leases* are set out below:

The Group has adopted HKFRS 16 from 1 April 2019, but has not restated the comparatives for the prior years as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening condensed consolidated statement of financial position on 1 April 2019 and summarised as follows:

Condensed consolidated statement of financial position (extract)	As at 1 April 2019		As restated
	As previously stated	Effects of the adoption	
Right-of-use assets	–	16,304,975	16,304,975
Leasehold land and land use rights	14,009,506	(14,009,506)	–
Lease liabilities	–	(2,295,469)	(2,295,469)
	<u>–</u>	<u>(2,295,469)</u>	<u>(2,295,469)</u>

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to condensed consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

As a result, the total obligations under the operating lease commitments of HK\$2,970,145 disclosed at 31 March 2019, adjusted by the effect of discounting, amounted to lease liabilities of HK\$2,295,469, were recognised on 1 April 2019. The amount was split into current and non-current portion of HK\$1,297,250 and HK\$998,219 respectively.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities on a present value basis. Together with the reclassification of leasehold land and land use rights, right-of-use assets of HK\$16,304,975 were recognised in the condensed consolidated statement of financial position as of 1 April 2019. The right-of-use assets are depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Save as disclosed above, there is no material impact to the Group’s financial performance due to the adoption of this new accounting standard.

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	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	<u>20,791,075</u>	<u>22,669,212</u>	<u>156,913,680</u>	<u>249,097,891</u>	<u>8,694,940</u>	<u>9,499,533</u>	<u>186,399,695</u>	<u>281,266,636</u>
Segment results	4,205,052	(4,093,465)	17,618,058	13,184,788	1,125,066	5,242,474	22,948,176	14,333,797
Loss arising on change in fair value of investment properties	<u>(36,538,112)</u>	<u>(1,349,820)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,538,112)</u>	<u>(1,349,820)</u>
(Loss) profit from operations	(32,333,060)	(5,443,285)	17,618,058	13,184,788	1,125,066	5,242,474	(13,589,936)	12,983,977
Unallocated finance costs							(6,760,884)	(5,598,325)
Share of results of associates							<u>(1,437,206)</u>	<u>(1,719,612)</u>
(Loss) profit before tax							(21,788,026)	5,666,040
Income tax expense							<u>(3,371,129)</u>	<u>(3,755,092)</u>
(Loss) profit for the period							<u>(25,159,155)</u>	<u>1,910,948</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 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 customers	
	Six months ended 30 September	
	2019	2018
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Hong Kong	58,205,145	66,948,085
North America	8,630,352	12,231,592
Oceania	23,777,217	38,518,719
Europe	9,022,084	14,768,765
PRC	53,904,783	118,256,407
Other Asian countries	32,860,114	30,543,068
	186,399,695	281,266,636
Non-current assets (Note)		
	30 September	31 March
	2019	2019
	HK\$	HK\$
	(Unaudited)	(Audited)
Hong Kong	1,110,496,917	1,141,021,919
PRC	89,782,298	98,096,880
	1,200,279,215	1,239,118,799

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

5. REVENUE

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Six months ended 30 September	
	2019	2018
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Sale of goods	156,913,680	249,097,891
Brokerage commission	4,041,221	5,560,439
Hotel accommodation income	8,959,806	12,090,409
Revenue from contracts with customers	169,914,707	266,748,739
Rental income and rental related income	11,831,269	10,578,803
Interest income received from client	4,303,870	3,839,673
Dividend income from listed equity securities	349,849	99,421
Total revenue	186,399,695	281,266,636
Timing of revenue recognition		
A point in time	160,954,901	254,658,330
Over time	8,959,806	12,090,409
Revenue from contracts with customers	169,914,707	266,748,739

6. (LOSS) PROFIT FROM OPERATIONS

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

	Six months ended 30 September	
	2019	2018
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Amortisation of leasehold land and land use right	–	254,745
Cost of inventories sold	107,482,066	198,472,321
Depreciation of property, plant and equipment	6,518,914	6,906,581
Depreciation of right-of-use assets	897,265	–
Exchange loss (gain)	193,773	(1,137,092)
Loss (gain) on disposal of financial assets at FVTPL	333,782	(3,077,406)
Loss (gain) on fair value change of financial assets at FVTPL	583,500	(209,122)
	917,282	(3,286,528)
Impairment loss recognised in respect of trade receivables	–	392,521
Operating lease rental in respect of office premises	–	679,214
Staff costs (including directors' remuneration)		
– Salaries, wages and allowances	25,397,990	26,759,301
– Staff benefits	185,606	157,541
– Retirement benefit schemes contributions	441,653	433,105
	26,025,249	27,349,947

7. FINANCE COSTS

	Six months ended 30 September	
	2019	2018
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Interest expenses on:		
Bank loans and overdraft	6,225,927	5,270,694
Other borrowings	267,776	5,151
Lease liabilities	29,164	–
Bank charges	238,017	322,480
	<u>6,760,884</u>	<u>5,598,325</u>

8. INCOME TAX EXPENSE

The income tax expense is as follow:

	Six months ended 30 September	
	2019	2018
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Current tax:		
Provision for the period	3,545,559	4,031,733
Deferred tax credit	(174,430)	(276,641)
	<u>3,371,129</u>	<u>3,755,092</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the Previous Reporting Period the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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.

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 2019 amounting to HK\$6,762,601 were paid in October 2019.

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

The calculation of the basic (loss) earnings per share is based on the loss attributable to owners of the Company HK\$25,715,844 (Previous Reporting Period: profit attributable to owners of the Company of HK\$1,492,281) and on the weighted average 225,420,034 (Previous Reporting Period: 225,420,034) ordinary shares in issue during the both periods.

No adjustment has been made to the basic (loss) earnings per share presented for the Reporting Period and Previous Reporting Period as the Group had no potentially diluted ordinary shares in issue during both periods.

11. TRADE AND OTHER RECEIVABLES

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

	30 September 2019 HK\$ (Unaudited)	31 March 2019 HK\$ (Audited)
Trade receivables from:		
– Clearing house and cash clients	9,578,948	8,119,284
– Secured margin clients	78,618,520	106,845,479
– Other customers	30,945,371	38,032,866
	119,142,839	152,997,629
Less: Allowance for credit losses	(2,666,724)	(2,668,197)
	116,476,115	150,329,432
Other receivables	4,721,717	6,021,291
	121,197,832	156,350,723

At 30 September 2019 and at 31 March 2019, trade receivables (before allowance for credit losses) from contracts with customers amounted to HK\$119,002,398 and HK\$152,624,678, respectively.

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 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.

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 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 credit losses:

	30 September 2019 HK\$ (Unaudited)	31 March 2019 HK\$ (Audited)
0-30 days	24,572,915	29,112,195
31-60 days	7,327,793	7,328,050
Over 60 days	7,558,575	8,645,395
	<u>39,459,283</u>	<u>45,085,640</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 8.5% for the Reporting Period (Previous Reporting Period: 8.25% to 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 2019, the total market value of securities pledged as collateral by the customers in respect of the loans to margin clients was HK\$128,459,597 (31 March 2019: HK\$362,382,252). At 30 September 2019, the pledged value of securities of margin clients to bank for banking facilities granted to the Group was HK\$11,531,385 (31 March 2019: HK\$3,131,000). No aging analysis of secured margin client 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 securities margin financing.

12. TRADE AND OTHER PAYABLES

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

	30 September 2019 HK\$ (Unaudited)	31 March 2019 HK\$ (Audited)
Trade payables to:		
– Clearing house and cash clients	76,269,169	78,439,247
– Secured margin clients	15,458,601	14,990,074
– Other creditors	8,902,801	17,522,788
	100,630,571	110,952,109
Other payables	25,198,243	25,903,037
	<u>125,828,814</u>	<u>136,855,146</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 2019 HK\$ (Unaudited)	31 March 2019 HK\$ (Audited)
0-30 days	99,098,292	109,961,382
31-60 days	414,522	384,448
Over 60 days	1,117,757	606,279
	<u>100,630,571</u>	<u>110,952,109</u>

The credit period granted by suppliers is generally within 30 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

During the Reporting Period, the Group recorded revenue of HK\$186.4 million, representing a decrease of HK\$94.9 million, or 33.7% as compared with HK\$281.3 million in the Previous Reporting Period. The Group recorded loss for the period of HK\$25.2 million, as compared with profit of HK\$1.9 million in the Previous Reporting Period.

Loss for the period was mainly attributable to the increase in loss arising on change in fair value of the Group's investment properties of HK\$35.2 million, net-off by the spin-off expenses of HK\$9.9 million for the Group's hotel business incurred in the Previous Reporting Period.

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. During the Reporting Period, this segment recorded revenue of HK\$20.8 million, representing a decrease of HK\$1.9 million, or 8.3% as compared with HK\$22.7 million in the Previous Reporting Period. Including the loss arising on change in fair value of investment properties of HK\$36.5 million, the loss from operations was HK\$32.3 million, representing an increase in loss of HK\$26.9 million, or 494.0% as compared with the loss from operations of HK\$5.4 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\$11.8 million, representing an increase of HK\$1.2 million or 11.8% as compared with HK\$10.6 million in the Previous Reporting Period. It was mainly attributable to the change of tenant mix and the progressive conversion of Everglory Centre during the Reporting Period. On the other hand, the recent continual social conflict had an adverse impact to the property market in Hong Kong, loss arising on change in fair value of investment properties of the Group amounted to HK\$36.5 million in the Reporting Period, representing an increase in loss of HK\$35.2 million as compared with loss of HK\$1.3 million in Previous Reporting Period.

(ii) *Hotel Operations*

During the Reporting Period, the hotel recorded accommodation income of HK\$9.0 million, a decline of 25.9%, as compared with HK\$12.1 million in the Previous Reporting Period. The occupancy rate was at 87.2%, down by 8.2% and the average room rate was HK\$760.1, down by 18.9%, as compared with the Previous Reporting Period. The decrease in revenue was mainly due to the social conflict in Hong Kong that had negatively impacted the tourism business in Hong Kong. Specifically, hotel accommodation income dropped drastically by 63.7% in August 2019 and 63.1% in September 2019, respectively, as compared with the same period last year. For the total visitor arrivals, there is a drastic decrease in overnight arrivals since July in our major markets (the PRC and short haul markets).

Manufacturing and Distribution of Plastic Packaging Materials

The segment recorded revenue of HK\$156.9 million, representing a decrease of 37.0% from HKD249.1 million in the Previous Reporting Period due to a drop in sales on both manufacturing and trading division. However, the segment profit was HK\$17.6 million, representing an increase of 33.6% from HK\$13.2 million in the Previous Reporting Period. The increase in segment profit was mainly due to the decrease in cost of sales couple with taxes cut and fee reduction measures announced by the Chinese government.

With the China-US trade war rumbling on and the widespread support for ban on single-use plastic products continues to gain momentum, we focused our effort in expanding both Greater China and non-US export markets and promote recyclable and sustainable alternatives to offset the trade tension between China and the US and fulfil the global pursuit of green lifestyle.

Broking and Securities Margin financing

During the Reporting Period, the segment revenue was HK\$8.7 million, a decline of HK\$0.8 million, or 8.5% as compared with HK\$9.5 million in the Previous Reporting Period. The segment profit was HK\$1.1 million, which decreased by HK\$4.1 million or 78.5% as compared with HK\$5.2 million in the Previous Reporting Period. The significant decrease in segment profit was mainly due to the loss arising on change in financial assets at FVTPL amounted to HK\$0.9 million during the Reporting Period while there was a gain of HK\$3.3 million in the Previous Reporting Period.

Our business is still facing challenging environment. Due to social conflict happened in Hong Kong in the recent months, Hang Seng Index dropped to nearly 25,000 points in August 2019. The fickle progress of the trade talk between China and the United States disseminated unstable atmosphere which dampened the economic activities. International Monetary Fund also adjusts downwards the future economic prospect of worldwide and Hong Kong. Investment market hindered by such elements and clients are conservative and stagnant.

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 2019, cash and cash equivalents was HK\$108.0 million (31 March 2019: HK\$91.0 million). As at 30 September 2019, the current ratio of the Group was approximately 1.6 (31 March 2019: approximately 1.6).

The Group's bank loans decreased by HK\$22.3 million from HK\$388.9 million as at 31 March 2019 to HK\$366.6 million, as at 30 September 2019, in which the short-term loans amounted HK\$184.1 million (31 March 2019: HK\$202.2 million) and long-term loans amounted HK\$182.5 million (31 March 2019: HK\$186.7 million). The Group's current period net debt to equity ratio was 21.3% (31 March 2019: 23.9%), 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 bank borrowings were repaid by the Group's internal resources.

Capital Structure

As at 30 September 2019, the Group's total equity attributable to owners of the Company amounted to HK\$1,193.7 million (31 March 2019: HK\$1,227.8 million). The Group's consolidated net assets per share as at 30 September 2019 was HK\$5.33 (31 March 2019: HK\$5.48).

Foreign Exchange Exposure

The Group operates in Hong Kong and the PRC and majority of transactions are denominated in HK\$, United States dollar ("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 Reporting Period.

Employees and Remuneration Policies

The Group had 357 employees as at 30 September 2019 (31 March 2019: 380). 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

(i) 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 1st quarter of 2020.

Phase 2 renovation of the Everglory Centre has been completed during the Reporting Period. More dedicated desks and serviced offices are ready for lease.

Property located at No. 1 Lei Muk Road is now applying for redevelopment as an elderly home. It is subjected to the rezoning application and will be considered by the Town Planning Board.

With ongoing uncertainties on global economic and local political factors, investors of Hong Kong property market are hesitated to enter the market. The Group will consider opportunities with respective strategies in order to make use of our property portfolio to generate favorable return.

(ii) *Hotel Operations*

As we enter into the next six months, we are still facing the uncertainties in the China-US trade war, the situation on Brexit, the softening of global economy and in particular, the ongoing social conflict in Hong Kong. If the tourism business does not recover in time and the economy of Hong Kong continues to deteriorate, the performance is expected to be well below same period last year. Nevertheless, during these challenging times, we will continue to closely monitor the situation and remain focus on proactive sales and marketing strategies with online travel agents, to broaden our business to business sales, to maintain our service quality and improving the existing physical condition of the hotel.

Manufacturing and Distribution of Plastic Packaging Materials

“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.

China and the United States have agreed to roll back the additional trade tariffs in phases; however, there is still uncertainty whether both sides will simultaneously undo existing additional tariffs in the same proportion and whether our products will be included in phase one agreement. Amid with the uncertainty, 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

Looking ahead, trade friction between countries will continue to affect the investment market if it left unresolved. Investors will continue to wait and see until the social activities quieten down.

In the unstable situation, our strategy is to be more prudent in margin financing, and also to comply with the benchmarks set out in the Guidelines for Securities Margin Financing Activities implemented in October 2019.

Our performance might still constraint to the low overall market turnovers and weak market sentiment.

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 30 August 2019 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 2019/2020 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, 22 November 2019

As at the date of this announcement, the Board comprises: (1) Mr. Chua Nai Tuen, Mr. Nelson Junior Chua and Mr. Gilson 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.