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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 2010**

INTERIM RESULTS

The Directors of Southeast Asia Properties & Finance Limited (the “Company”) are pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries and associates (collectively the “Group”) for the six months ended 30 September 2010 together with the comparative figures for the corresponding period of last year as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2010

		Six months ended 30 September	
	Notes	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited) (Restated)
Turnover	4	173,699,733	147,397,316
Cost of sales		(145,222,186)	(111,274,122)
Gross profit		28,477,547	36,123,194
Other revenue	5	4,800,710	8,735,307
Fair value change on investment properties		30,417,507	57,262,678
Distribution expenses		(6,961,588)	(5,860,226)
Administrative expenses		(23,069,133)	(23,739,486)
Other operating expenses		(552,259)	(2,061,085)
Profit from operations	6	33,112,784	70,460,382
Finance costs	7	(2,904,427)	(2,266,759)
Share of profit of associates		363,371	656,383
Profit before tax		30,571,728	68,850,006
Tax	8	(7,367,921)	(10,600,044)
Profit for the period		23,203,807	58,249,962
Profit attributable to:			
Equity shareholders of the company		23,400,848	57,809,641
Non-controlling interests		(197,041)	440,321
		23,203,807	58,249,962
Earnings per share	9	10.8 cents	26.6 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Six months ended	
	30 September	
	2010	2009
	HK\$	HK\$
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period	23,203,807	58,249,962
Other comprehensive income:		
Available-for-sale financial assets:		
Change in fair value recognised during the period	279,664	15,837,692
Exchange difference arising on translation of foreign operations	2,920,303	175,568
Share of reserve of associates	38,539	218,186
Total comprehensive income for the period	<u>26,442,313</u>	<u>74,481,408</u>
Attributable to:		
Equity shareholders of the Company	26,684,852	74,058,791
Non-controlling interests	(242,539)	422,617
	<u>26,442,313</u>	<u>74,481,408</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2010

		30 September 2010 HK\$ (Unaudited)	31 March 2010 HK\$ (Audited) (Restated)
	Notes		
NON-CURRENT ASSETS			
Investment properties		426,561,001	396,143,494
Property, plant & equipment		204,905,048	202,094,131
Leasehold land and land use right		13,323,476	13,277,283
Interests in associates		69,493,989	69,079,411
Available-for-sale financial assets		32,192,989	31,441,840
Intangible assets		3,702,706	3,702,706
Deferred tax assets		1,087	1,087
Other assets		2,700,000	2,700,000
		752,880,296	718,439,952
CURRENT ASSETS			
Inventories		62,883,156	58,733,930
Trade and other receivables	10	174,373,020	141,815,779
Financial assets at fair value through profit or loss	11	8,856,494	9,469,423
Deposits and prepayments		3,991,105	15,104,973
Tax prepaid		2,121,810	1,864,070
Time deposits		5,100,000	5,100,000
Trust accounts of shares dealing clients		63,312,942	61,809,267
Cash and bank balances		14,954,083	24,265,251
		335,592,610	318,162,693
CURRENT LIABILITIES			
Trade and other payables	12	134,273,847	127,578,594
Amounts due to a related company		12,747,224	12,747,786
Bank loans and overdrafts		170,810,652	137,065,121
Amount due to an associate		1,103,813	1,367,487
Taxation		4,383,913	3,009,330
		323,319,449	281,768,318
NET CURRENT ASSETS			
		12,273,161	36,394,375
Total assets less current liabilities			
		765,153,457	754,834,327

		30 September 2010 HK\$ (Unaudited)	31 March 2010 HK\$ (Audited) (Restated)
	<i>Notes</i>		
NON-CURRENT LIABILITIES			
Long-term borrowings		97,445,339	112,093,878
Deferred tax liabilities		48,328,140	43,280,219
		145,773,479	155,374,097
NET ASSETS		619,379,978	599,460,230
CAPITAL AND RESERVES			
Share capital	13	217,418,850	217,418,850
Reserves		394,265,717	374,103,430
SHAREHOLDERS' EQUITY		611,684,567	591,522,280
NON-CONTROLLING INTERESTS		7,695,411	7,937,950
TOTAL EQUITY		619,379,978	599,460,230

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

1. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of the Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair value. The accounting policies used in these unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March, 2010.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (“new HKFRSs”) issued by HKICPA, which are or have become effective and are relevant to the operations of the Group.

HKFRSs (Amendments)	Amendments to HKFRSs as part of Improvements to HKFRSs 2008
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HKFRSs (Amendments)	Improvements to HKFRSs 2009
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Except for HKFRSs (Amendments) Improvements to HKFRSs 2009 – Amendment to HKAS17 Leases, the adoption of other new and revised HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting period.

HKFRSs (Amendments) Improvements to HKFRS 2009 - Amendment to HKAS17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group classified leasehold land as operating leases and presented it as “Leasehold land” in the consolidated statement of financial position. The amendment has removed such a requirement.

In accordance with the transitional provisions of HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 April 2010 based on information which existed at the inception of the leases. Leasehold land that qualifies the finance lease classification has been reclassified from “Leasehold land and land use right” to “Investment properties” and “Property, plant and equipment” retrospectively. The adjustments in respect of the comparative figures are as follows:

(1) *Condensed Consolidated Statement of Financial Position*

	31.3.2010		31.3.2010
	Originally stated	Adjustments	Restated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Investment properties	393,118,494	3,025,000	396,143,494
Property, plant & equipment	172,792,209	29,301,922	202,094,131
Leasehold land and land use right	42,897,219	(29,619,936)	13,277,283
Deferred tax liabilities	(42,964,079)	(316,140)	(43,280,219)
Reserves	(371,788,677)	(2,314,753)	(374,103,430)
Non-controlling interests	(7,861,857)	(76,093)	(7,937,950)

(2) *Condensed Consolidated Income Statement*

	30.9.2009		30.9.2009
	Originally stated	Adjustments	Restated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Increase in fair value changes on investment properties	56,985,678	277,000	57,262,678
Decrease in provision of amortisation of leasehold land	526,046	4,297	521,749
Increase in taxation	10,554,339	45,705	10,600,044
Increase in profit attributable to:			
Equity shareholders of the Company	57,584,990	235,592	57,809,641
Non-controlling interests	429,380	10,941	440,321

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued, but are not yet effective, and are relevant to the operation of the Group.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 ²
HKFRS 9	Financial Instruments ⁴
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments*:

Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might not affect the classification and measurement of the Group's financial assets.

The Directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January, 2010. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The adoption of HKFRS 8 had no material effect on the presentation of segmental information.

The following is an analysis of the Group's revenue and results by operating segments:

	Six months ended 30 September 2010				
	Property development & investment/hotel <i>HK\$</i> (Unaudited)	Manufacturing & trading plastic packaging material <i>HK\$</i> (Unaudited)	Stock broking & finance <i>HK\$</i> (Unaudited)	Elimination <i>HK\$</i> (Unaudited)	Total <i>HK\$</i> (Unaudited)
Turnover					
External sales	17,349,666	145,758,385	10,591,682	–	173,699,733
Inter-segment sales	1,271,613	–	–	(1,271,613)	–
Total revenue	<u>18,621,279</u>	<u>145,758,385</u>	<u>10,591,682</u>	<u>(1,271,613)</u>	<u>173,699,733</u>
Operation result	7,619,483	(8,971,586)	4,047,380		2,695,277
Fair value change on investment properties	<u>30,417,507</u>	<u>–</u>	<u>–</u>		<u>30,417,507</u>
Segment result	<u>38,036,990</u>	<u>(8,971,586)</u>	<u>4,047,380</u>		<u>33,112,784</u>
Finance costs	–	–	–		(2,904,427)
Share of profit (loss) of associates	411,276	(47,905)	–		<u>363,371</u>
Profit before tax					30,571,728
Tax	(6,267,921)	(500,000)	(600,000)		<u>(7,367,921)</u>
Profit for the period					<u>23,203,807</u>
Depreciation & amortisation	2,269,788	4,595,659	167,846		7,033,293
Capital expenditure	164,994	7,930,152	212,113		8,307,259

Six months ended 30 September 2009

	Property development & investment/hotel HK\$ (Unaudited) (Restated)	Manufacturing & trading plastic packaging material HK\$ (Unaudited) (Restated)	Stock broking & finance HK\$ (Unaudited) (Restated)	Elimination HK\$ (Unaudited) (Restated)	Total HK\$ (Unaudited) (Restated)
Turnover					
External sales	14,906,667	118,041,564	14,449,085	–	147,397,316
Inter-segment sales	2,466,878	–	–	(2,466,878)	–
Total revenue	<u>17,373,545</u>	<u>118,041,564</u>	<u>14,449,085</u>	<u>(2,466,878)</u>	<u>147,397,316</u>
Operation result	5,612,817	(893,292)	9,478,179		14,197,704
Fair value change on investment properties	57,262,678	–	–		57,262,678
Impairment loss on interest in associates	–	(1,000,000)	–		(1,000,000)
Segment result	<u>62,875,495</u>	<u>(1,893,292)</u>	<u>9,478,179</u>		70,460,382
Finance costs	–	–	–		(2,266,759)
Share of profit (loss) of associates	1,287,701	(631,318)	–		656,383
Profit before tax					68,850,006
Tax	(9,670,358)	70,314	(1,000,000)		(10,600,044)
Profit for the period					<u>58,249,962</u>
Depreciation & amortisation	2,398,097	4,501,166	168,537		7,067,800
Capital expenditure	532,614	1,822,783	60,440		2,415,837

3. SEGMENT INFORMATION (Cont'd)

External sales by geographical area:

	Six months ended 30 September Turnover	
	2010	2009
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Hong Kong	44,259,109	41,726,432
Mainland China	21,401,707	15,399,181
North America	22,749,695	20,976,895
Europe	18,645,388	12,856,543
Oceania	14,898,749	15,999,686
Asia	51,517,581	39,901,657
Other	227,504	536,922
	<u>173,699,733</u>	<u>147,397,316</u>

4. TURNOVER

	Six months ended 30 September Turnover	
	2010	2009
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Sale of goods	145,724,345	118,041,564
Gross rental income	9,091,445	8,484,816
Brokerage commission	9,699,434	13,931,420
Hotel income	8,258,221	6,421,851
Dividend income		
– Unlisted equity securities	34,040	–
– Listed equity securities	892,248	517,665
	<u>173,699,733</u>	<u>147,397,316</u>

5. OTHER REVENUE

	Six months ended 30 September	
	2010	2009
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Interest income	3,798,121	2,734,323
Other income	1,551,938	2,079,381
Consultancy & management fee	–	140,400
Net loss on disposal of trading securities	(5,992)	(16,305)
Bad debts recovered	69,573	305,707
Change in fair value of trading securities	(612,930)	3,491,801
	<u>4,800,710</u>	<u>8,735,307</u>

6. PROFIT FROM OPERATIONS

	Six months ended 30 September	
	2010	2009
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Profit from operations is arrived at after charging:		
Cost of inventories sold	115,103,181	83,544,282
Exchange loss	326,112	414,061
Staff costs (including directors' remuneration)	22,994,297	20,430,162
Salaries, wages and allowance	21,523,874	18,441,707
Welfare	1,122,033	1,651,620
Defined contribution plans	348,390	330,916
Long service payment	–	5,919
Operating lease rental in respect of land and buildings	874,261	914,725
Depreciation & amortisation	7,033,293	7,067,800
Net rental income	8,764,905	8,098,568
Gross rental income from investment properties	9,091,445	8,484,816
Less: outgoings	(326,540)	(386,248)

7. FINANCE COSTS

	Six months ended 30 September	
	2010	2009
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Interest on:		
Bank loans and overdrafts wholly repayable		
within five years	1,855,201	1,446,613
over five years	548,574	291,808
Other borrowings	245,970	237,568
Bank charges	254,682	290,770
	<u>2,904,427</u>	<u>2,266,759</u>

8. TAX

	Six months ended 30 September	
	2010	2009
	HK\$	HK\$
	(Unaudited)	(Unaudited) (Restated)
Company and subsidiaries		
Hong Kong Profits tax	(2,320,000)	(1,000,000)
Deferred taxation in respect of:		
tax losses	(39,758)	(38,096)
fair value changes on investment properties	(5,033,127)	(9,448,341)
temporary differences	24,964	(113,607)
	<u>(7,367,921)</u>	<u>(10,600,044)</u>

Hong Kong Profits tax has been provided at the rate of 16.5% (2009:16.5%) on the estimated assessable profits arising in Hong Kong for the period.

9. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit attributable to shareholders of HK\$23,400,848 (2009: HK\$57,809,641) and ordinary shares in issue of 217,418,850 shares.

10. TRADE AND OTHER RECEIVABLES

The aged analysis of the trade receivables (net of allowance on bad and doubtful debts) at the reporting date, presented based on the invoice date.

	30 September	31 March
	2010	2010
	HK\$	HK\$
	(Unaudited)	(Audited)
Repayable on demand margin clients receivables	71,743,273	61,413,946
0 – 30 days	80,395,230	56,964,242
31 – 60 days	11,055,124	14,030,338
Over 60 days	1,696,599	1,957,548
	164,890,226	134,366,074
Other receivables	9,482,794	7,449,705
	174,373,020	141,815,779

Included in trade receivables, HK\$71,743,273 (net of allowance on bad and doubtful debts) (31 March 2010: HK\$61,413,946) are advances to margin clients, which are secured by client's listed securities held by the Group as collateral and are interest bearing. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group. As at 30 September 2010, the total market value of securities pledged as collateral by the customers in respect of the advances to customers is HK\$125,534,092 (31 March 2010: HK\$161,173,919). No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis is not meaningful in view of the revolving nature of the business of securities margin financing.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September	31 March
	2010	2010
	HK\$	HK\$
	(Unaudited)	(Audited)
Trading Securities listed in Hong Kong	8,856,494	9,469,423

12. TRADE AND OTHER PAYABLES

The ageing analysis of the Group's trade payables at the reporting date, presented based on the invoice billing date.

	30 September 2010 HK\$ (Unaudited)	31 March 2010 HK\$ (Audited)
0 – 30 days	101,710,905	98,512,246
31 – 60 days	8,335,759	3,121,985
Over 60 days	1,576,441	7,409,739
	111,623,105	109,043,970
Other payables	22,650,742	18,534,624
	134,273,847	127,578,594

Included in 30 September 2010 trade payables, HK\$62,929,762 (31 March 2010: HK\$72,248,739) are amounts payable to cash clients and clearing house which would be due within 1 month.

13. SHARE CAPITAL

	30 September 2010 HK\$ (Unaudited)	31 March 2010 HK\$ (Audited)
Authorised:		
500,000,000 shares of HK\$1.00 each	500,000,000	500,000,000
Issued and fully paid:		
217,418,850 shares of HK\$1.00 each	217,418,850	217,418,850

14. CONTINGENT LIABILITIES

During the period, the constructor for the hotel renovation works claimed against the Company and SAP Realty Company Limited ("SAR"), a wholly owned subsidiary of the Group for an overdue balance of approximately HK\$5,009,115. However, SAR has made a counter claim to that constructor for the amount overpaid to him of about HK\$5,459,314, having taken into account the cost and the expenses incurred by SAR to rectify the defect in the works and the loss and damage caused by the constructor's failure to complete the works on time. Up to the date of this report, the outcome of the proceedings is still uncertain. As the directors considered it is premature and not practical to draw a conclusion of the outcome of the claims and that the ultimate liability, if any, will not have a material adverse impact on the Group's financial position, no provision was made as of 30 September 2010.

15. PLEDGE OF ASSETS

The Group had the following assets pledged to banks to secure general banking facilities granted to the Group.

	30 September 2010 HK\$ (Unaudited)	31 March 2010 HK\$ (Audited) (Restated)
Investment properties in Hong Kong.		
at total carrying value	314,550,000	285,593,014
Hotel buildings & leasehold land in Hong Kong		
at total carrying value	31,770,142	32,769,631
Self-used properties at total carrying value	38,094,306	38,644,292
Time deposits	5,100,000	5,100,000
Financial assets at fair value through income statement	7,885,900	9,405,950
Available-for-sales financial assets	29,918,720	26,324,480
	<u>427,319,068</u>	<u>397,837,367</u>

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation in addition to those which have been restated as a result of the prior year adjustment.

17. The unaudited condensed consolidated interim financial statements for the six months ended 30 September, 2010 have been reviewed by the Audit Committee of the Group.

INTERIM RESULTS

During this period, the Group's turnover was HK\$173.7 million (2009: HK\$147.4 million). The Group's operating profit before finance costs, share of profit of associates and profits tax amounted to HK\$33.1 million (2009: HK\$70.5 million). If the fair value changes on investment properties of HK\$30.4 million (2009: HK\$57.3 million) were to be excluded, the operating profit for the period before finance costs, share of profit of associates and profits tax would have been HK\$2.7 million (2009: HK\$13.2 million), representing a decrease of approximately 79.6% over the comparable figure of last year. This decrease in operating profit was primarily attributable to the decline in the increased fair value changes of the Group's investment properties as compared to the same period of last year, an increased production cost in the plastics packaging material manufacturing and trading business as well as a fall in brokerage commission from the stock broking and finance business. Profit attributable to Shareholders for the first half of the year amounted to HK\$23.4 million (2009: HK\$57.8 million).

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2010 (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Property Investment and Development

The Group's investment properties, namely, the shops on the Ground Floor of Hotel Benito, the office unit in Silvercord at Tsimshatsui, the residential property at Essex Road, Kowloon Tong, the whole block of Nan Sing Industrial Building and the office/warehouse units in Kwai Tak Industrial Centre at Kwai Chung, together with the office units in Chao Shan Building and the residential property in Ming Yue Hua Yuan at Shenzhen, were all leased out and that generated a steady rental income for the Group during the period. The Group's rental income amounted to HK\$9.1 million, representing an increase of 7.2% from the same period of last year, as the Group did not dispose any of its properties during the period, no gain on disposal of properties was taken in the period. For the six months ended 30 September 2010, the Group's investment properties recorded an increase in fair value changes of HK\$30.4 million (2009: HK\$57.3 million).

Hotel

Hotel Benito showed favourable results for the six months period ended 30 September 2010 with occupancy, average room rates and overall gross operating margins picking up. On top of the advantages of its prime location in Tsimshatsui, the Hotel also benefited from better economic conditions and various tourist activities including the World Expo in Shanghai. During the period, the income from the Hotel amounted to HK\$8.3 million, representing an increase of 28.6% from the same period last year.

Manufacturing and Distribution of Plastic Packaging Materials

During the period, the business recorded a turnover of HK\$145.7 million (2009: HK\$118.0 million) representing an increase of 23.5% from the same period last year. However, operating loss before finance cost, share of loss of associates and profits tax was HK\$9.0 million. The operating loss recorded is mainly due to the following reasons: firstly, we were unable to transfer the increase in raw material cost to one of our key customers as we had a fixed price long-term supply contract; secondly, wages on the Mainland are rising due to a 20% increase in statutory minimum wage coupled with a deepening labour shortage; thirdly, we increased our marketing campaigns budget for our Nan Sing brand disposable household goods in China to drive towards achieving critical mass.

To cope with the elevating operating cost, we managed to negotiate for an early termination of the fixed price long-term supply contract and re-entered into a larger supply contract with more favorable terms in the third quarter of 2010. We have also set up a task force to review the organisation structure and scrutinise the operating expenses of each department.

We have launched the Nan Sing brand disposable household goods for slightly over a year and consumers' feedback towards our product is generally positive and the results are encouraging. Given that consumers are cautious in their household spending and are driven heavily by promotional activities, we have widened our product portfolio and developed regular promotional activities to accommodate different market needs. We have further expanded our presence in the convenience and supermarket channels in both Southern and Eastern China.

Stock Broking and Finance

Due to the stagnant economic growth in the United States and long-term high unemployment rate, global investors still held a wait and see attitude in the second quarter of 2010. As the economy failed to revitalise, the United States Government introduced the second round of Quantitative Easing (QE2). Investors believe large amount of fund will be injected into the markets, especially markets in developing countries such as Hong Kong. Hong Kong stock market became active at the end of the third quarter in 2010. Hang Seng Index reached 22,358 as at 30 September 2010, its highest level in the period.

During the six months ended 30 September 2010, the stock broking and finance business recorded an operating profit before finance costs and profits tax of HK\$4.0 million (2009: HK\$9.5 million), a decrease of 57.3% from the same period last year; this is mainly due to a 37.8% drop in turnover volume which led to a 30.4% drop in total brokerage commission to HK\$9.7 million. Net interest earned from margin clients recorded an increase of 75.0% to HK\$3.5 million (2009: HK\$2.0 million). This is because investors are more willing to hold stocks as well as a large number of initial public offerings during the period. Moreover, the said operating profit included unrealised holding loss on investments of HK\$0.6 million compared to the unrealised holding gain of HK\$3.5 million from the same period last year.

Capital Commitments

As at 30 September 2010, the Group had no capital commitment (31 March 2010: Nil) in respect of acquisition of plant and equipment.

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 2010, cash and bank balances together with time deposits were HK\$20.1 million (31 March 2010: HK\$29.4 million) with trade and other receivables at HK\$174.4 million (31 March 2010: HK\$141.8 million). Trade and other payables were HK\$134.3 million (31 March 2010: HK\$127.6 million). The increases in trade receivables and trade payables were mainly attributed to the stock broking and finance business which benefited from a rise in the number of IPOs and a rebound of market total turnover.

As at 30 September 2010, the Group's bank borrowings increased from HK\$249.2 million of the last year-end date to HK\$268.3 million of this period, in which the short-term borrowings amounted to HK\$170.8 million (31 March 2010: HK\$137.1 million) and long-term borrowings amounted to HK\$97.5 million (31 March 2010: HK\$112.1 million). The Group's current period net debt to equity ratio was 40.6% (31 March 2010: 37.2%), calculated on the basis of the Group's net borrowings (after bank balances and cash together with time deposit) over Shareholders' funds. The increases in bank borrowings and the net debt to equity ratio during the period were mainly due to the drawing down of short-term loans and bank overdrafts to refinance the IPOs at the end of the period.

Foreign Exchange Exposure

To minimise exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in Hong Kong dollars and United States dollars. Foreign currency risk exposure on other foreign currencies is normally covered by forward exchange contracts. The Group has no significant exposure to foreign exchange rate fluctuations.

Material Acquisitions and Disposals

The Group had no material acquisitions or disposals of subsidiaries or associated companies during the six months ended 30 September 2010.

Capital Structure

As at 30 September 2010, the Group's Shareholders' funds amounted to HK\$611.7 million (31 March 2010: HK\$591.5 million). The Group's consolidated net assets per share as at 30 September 2010 was HK\$2.81 (31 March 2010: HK\$2.72).

Contingent Liabilities

Details of the Group's contingent liabilities are set out in note 14 on page 16.

Pledge of Assets

Details of the Group's pledge of assets are set out in note 15 on page 16.

Employees and Remuneration Policies

The Group had about 851 employees as at 30 September 2010. The remuneration policies are determined with reference to the market conditions and individual performance of staff.

OUTLOOK

The first half was full of challenges again for the world's economy. For a while, it looked as if the Euro Zone's credit crisis would threaten the fragile recovery in the rest of the world. Looking ahead, following a slew of measures by various governments to stimulate exports and prop domestic output, the global economy appears to be emerging from the doldrums. However, the pace of growth in Western developed countries clearly has lagged behind that of China and other developing markets. In other words, the economic recovery worldwide remains fragile and tentative. We will seek to lay a solid foundation for the future through expanding customer and product coverage. At the same time, we will adhere to sound investment strategies in identifying low-risk assets and will exercise caution in considering new investment projects.

Property Investment and Development

Hong Kong is fortunate to have the advantage of an economically viable hinterland. While more and more Mainland Chinese visitors are likely to shop and spend in the city, an upturn in the local economy, low interest rates and the lack of outlets for capital investments continue to bolster the local retail sector and the property market, benefiting the Group's property portfolio, especially the shops on the Ground Floor of Hotel Benito. Rental incomes of the Group's investment properties are expected to remain stable since rental leases are secured by long-term tenancy agreements.

Hotel

With the closing of the Shanghai World Expo and the opening of the 2010 Asian Games in Guangzhou, the Group expects that more travellers will be attracted to visit the Mainland China and Hong Kong, further flourishing the tourism business in Hong Kong and increases the demand for the Hotel. The Group foresees that such events will boost room rates of the Hotel in the next half year.

Manufacturing and Distribution of Plastic Packaging Materials

With domestic consumption so essential to the Mainland's economic development, manufacturing on the Mainland is only going to get more expensive with soaring labour costs caused by labour shortages, a strengthening Yuan making exports more expensive, and inflation all threatening to sharply raise the operating cost.

Faced with the challenges of the forthcoming operational hardship, we will continue to streamline the production process and enhance our productivity on our core range of products with more efficient and advanced technologies. In addition, we will focus on manufacturing higher value added products with less competition and continue to pursue in building the Nan Sing brand, product innovation, distribution channel expansion, consumer education and marketing in Southern and Eastern China.

Stock Broking and Finance

With the introduction of economic rescue packages, large amount of funds will flow into global markets to seek for investment opportunities. The Group expects to benefit from the increase in the trading volume of the Hong Kong stock market in the coming year.

However, it is believed that the low interest rate environment cannot be sustained in the long term. Excessive funds will push up asset valuations, resulting in inflation and hikes in interest rate. It will also increase the volatility of the stock market.

Besides consolidating our existing client pool, we are going to strengthen and update our online trading platform and interfaces with the hope of attracting more clients.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the period, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) except for the following deviations:

Mr. Chua Nai Tuen serves as the Chairman and also the chief executive officer of the Company. Pursuant to Code A.2.1, this is a deviation from the Code Provision with respect to the roles of Chairman and chief executive officer to be performed by different individuals. 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 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.

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” (the “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 comprises three independent non-executive directors and two non-executive directors of the Company. The audit committee has reviewed with management, the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters, including a review of the unaudited condensed consolidated financial statements for the six months ended 30 September 2010, which is of opinion that such statements comply with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made.

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.

PUBLICATION OF FURTHER INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's interim report for the six months ended 30 September 2010 will be despatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk under “Latest Listed Company Information” and on the website of the Company at www.seapnf.com.hk under “Financial Reports” in due course.

By Order of the Board

CHUA NAI TUEN

Chairman and Managing Director

Hong Kong, 25 November 2010

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. Luis Siy, Mr. Rene Siy Chua, Mr. Tsai Han Yung, Mr. Siy Yap Samuel and Ms. Vivian Chua; and (3) Independent non-executive directors: Mr. Chan Siu Ting, Mr. James L. Kwok and Mr. Wong Shek Keung.