

Interim Report 2011



South East Group Limited

東南國際集團有限公司\*

(Incorporated in Bermuda with limited liability)

Stock Code: 726

\* For identification purpose only

## INTERIM RESULTS

The Board of Directors of South East Group Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2011 together with the comparative figures for the previous corresponding period. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

	Note	Six months ended 30 September	
		2011 HK\$'000	2010 HK\$'000
<b>Turnover</b>	3	<b>710</b>	—
Cost of properties sold		<b>(589)</b>	—
<b>Gross profit</b>		<b>121</b>	—
Other revenues		<b>831</b>	180
Selling and distribution costs		<b>(10)</b>	(1)
Administrative expenses		<b>(6,860)</b>	(8,436)
<b>Loss from operations</b>	4	<b>(5,918)</b>	(8,257)
Finance costs	5	<b>(1,691)</b>	(1,680)
<b>Loss before taxation</b>		<b>(7,609)</b>	(9,937)
Taxation	6(a)	<b>(12)</b>	—
<b>Loss for the period</b>		<b>(7,621)</b>	(9,937)
<b>Other comprehensive (loss)/income:</b>			
Translation difference		<b>(1)</b>	(1)
Change in fair value of available-for-sale financial assets		<b>(2,177)</b>	252
Other comprehensive (loss)/income for the period		<b>(2,178)</b>	251
<b>Total comprehensive loss for the period</b>		<b>(9,799)</b>	(9,686)

The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

For the six months ended 30 September 2011

		Six months ended 30 September	
	Note	2011 HK\$'000	2010 HK\$'000
<b>Loss for the period attributable to:</b>			
Owners of the Company		(7,621)	(9,937)
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		(9,799)	(9,686)
<b>Interim dividend per share</b>			
		Nil	Nil
<b>Loss per share attributable to owners of the Company</b>			
Basic and diluted (cents)	7	(2.19)	(2.89)

The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

Note	30 September 2011 (unaudited) HK\$'000	31 March 2011 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>		
	412	591
	—	—
	4,017	6,194
	<b>4,429</b>	6,785
<b>CURRENT ASSETS</b>		
	780	780
	21,241	21,778
8	789	1,242
6(b)	199	183
9	61,788	68,691
	<b>84,797</b>	92,674
<b>CURRENT LIABILITIES</b>		
10	1,916	3,055
11	2,040	1,877
	<b>3,956</b>	4,932
	<b>80,841</b>	87,742
	<b>85,270</b>	94,527
<b>NON-CURRENT LIABILITIES</b>		
	60,498	65,844
	<b>24,772</b>	28,683
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company:</b>		
12	34,795	34,795
	(10,023)	(6,112)
	<b>24,772</b>	28,683

The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Share capital HK\$'000	Share premium HK\$'000	Available-for-sale financial assets revaluation reserve HK\$'000	Equity component convertible bond HK\$'000	Exchange reserve HK\$'000	Contributed surplus reserve HK\$'000	Employee share-based payment reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011</b>									
Balance at 1 April 2011	34,795	10,724	(29)	4,629	11,442	131,166	2,873	(166,917)	28,683
<b>Comprehensive loss:</b>									
Loss for the period	-	-	-	-	-	-	-	(7,621)	(7,621)
<b>Other comprehensive loss:</b>									
Change in fair value of available-for-sale financial assets	-	-	(2,177)	-	-	-	-	-	(2,177)
Translation difference	-	-	-	-	-	(1)	-	-	(1)
<b>Total comprehensive loss for the period</b>	-	-	(2,177)	-	-	(1)	-	(7,621)	(9,799)
<b>Transactions with owners:</b>									
Amendment of convertible bond	-	-	-	1,259	-	-	-	4,629	5,888
<b>Total transactions with owners</b>	-	-	-	1,259	-	-	-	4,629	5,888
<b>Balance at 30 September 2011</b>	<b>34,795</b>	<b>10,724</b>	<b>(2,206)</b>	<b>5,888</b>	<b>11,442</b>	<b>131,165</b>	<b>2,873</b>	<b>(169,909)</b>	<b>24,772</b>
<b>FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010</b>									
Balance at 1 April 2010	34,433	10,083	(535)	4,629	10,315	131,166	4,976	(149,979)	45,088
<b>Comprehensive loss:</b>									
Loss for the period	-	-	-	-	-	-	-	(9,937)	(9,937)
<b>Other comprehensive (loss)/income:</b>									
Change in fair value of available-for-sale financial assets	-	-	252	-	-	-	-	-	252
Translation difference	-	-	-	-	-	(1)	-	-	(1)
<b>Total comprehensive (loss)/income for the period</b>	-	-	252	-	-	(1)	-	(9,937)	(9,686)
<b>Balance at 30 September 2010</b>	<b>34,433</b>	<b>10,083</b>	<b>(283)</b>	<b>4,629</b>	<b>10,315</b>	<b>131,165</b>	<b>4,976</b>	<b>(159,916)</b>	<b>35,402</b>

The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Net cash used in operating activities	(5,717)	(8,398)
Net cash generated from investing activities	517	109
Net cash used in financing activities	(1,702)	(860)
Net decrease in cash and cash equivalents	(6,902)	(9,149)
Cash and cash equivalents at beginning of the period	68,691	82,272
Effect of foreign exchange rates changes	(1)	(1)
Cash and cash equivalents at end of the period	<b>61,788</b>	73,122

The notes on pages 6 to 12 form an integral part of these condensed interim financial statements.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the Annual Report of the Group for the year ended 31 March 2011.

## 2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

The accounting policies adopted in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011. In the current interim period, the Group has applied for the first time, a number of new and revised standards, amendments and interpretations (collectively the "new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2011.

### Significant accounting policies newly adopted by the Group

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS24 (Revised)	Related Party Disclosures
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments

### Impact of new and revised HKFRSs

The adoption of the above new and revised HKFRSs that are effective for the current period has had no material impact on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

### Impact of issued but not yet effective HKFRSs

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective. The Group is in the process of making an assessment of the expected impact of these new and revised HKFRSs upon initial application and so far considered that these are unlikely to have a significant impact on the results and the financial position of the Group.

### 3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the aggregate of the net amounts received and receivable for goods sold to outside customers, less trade discounts, for the six months ended 30 September 2011.

The Company's executive directors have been identified as the chief operating decision maker. The Group's principal activity is property development in the PRC. The executive directors categorized the Group's existing operations into one single business division, hence no segment information is presented.

At the end of reporting period, non-current assets included property, plant and equipment with carrying amount of approximately HK\$316,000 (31 March 2011: HK\$474,000) and HK\$96,000 (31 March 2011: HK\$117,000) are located in Hong Kong and the PRC respectively.

### 4. LOSS FROM OPERATIONS

Loss from operations was arrived at after crediting and charging the following:

	Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
<b>Crediting:</b>		
Interest income	411	21
Investment income	113	72
<b>Charging:</b>		
Cost of properties sold	589	—
Depreciation	179	180
Operating lease payments	1,580	1,063
Directors' remuneration		
— Fees	300	300
— Salaries and allowances	1,260	1,260
— Retirement benefit schemes contribution	12	12
Staff costs (excluding directors' remuneration)		
— Salaries and allowances	1,536	1,172
— Retirement benefit schemes contribution	82	66

### 5. FINANCE COSTS

	Six months ended 30 September	
	2011 HK\$'000	2010 HK\$'000
Interest expenses on convertible bond	1,689	1,677
Others	2	3
	<b>1,691</b>	<b>1,680</b>



6. TAXATION

- a) Taxation in the consolidated statement of comprehensive income represents:

	<b>Six months ended 30 September</b>	2010
	<b>2011 HK\$'000</b>	HK\$'000
<b>Hong Kong profits tax</b>		
The Company and subsidiaries	—	—
<b>PRC corporate income tax</b>		
Subsidiaries		
— Current period provision	12	—
	<b>12</b>	—

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group did not derive any assessable profits in Hong Kong during the interim period (six months ended 30 September 2010: nil).

Taxation on profits derived in the PRC for subsidiaries has been calculated at the rate of tax prevailing in the PRC corporate income tax rate of 24% (2010: 25%), which is based on existing legislation, interpretations and practices in respect thereof.

- b) At the end of reporting period, the Group had income tax prepayment as follows:

	<b>As at 30 September</b>	As at 31 March
	<b>2011 HK\$'000</b>	2011 HK\$'000
<b>PRC corporate income tax</b>		
— Tax prepayment	199	183

7. LOSS PER SHARE

The calculation of basic loss per share for the period is based on the unaudited consolidated loss attributable to owners of the Company of approximately HK\$7,621,000 (six months ended 30 September 2010: loss of approximately HK\$9,937,000) and on the weighted average number of 347,953,880 (six months ended 30 September 2010: 344,325,880) shares in issue during the period. No diluted loss per share has been presented as the exercise of the Company's outstanding share options and convertible bond would result in a decrease in net loss per share for both periods.

## 8. TRADE AND OTHER RECEIVABLES

	As at 30 September 2011 HK\$'000	As at 31 March 2011 HK\$'000
Trade receivables	1,812	1,929
Less: Provision for impairment	(1,812)	(1,904)
Trade receivables, net of provision	—	25
Deposits and other receivables	241	655
Maximum exposure to credit risk	241	680
Prepayments	548	562
	<b>789</b>	1,242

The Group maintains a defined credit policy. The carrying amounts of trade and other receivables approximate their fair values as at 30 September 2011 and 31 March 2011.

All trade receivables before provision for impairment of the Group were aged over twelve months based on the invoice issue date.

The carrying amounts of trade and other receivables are denominated in the following currencies:

	As at 30 September 2011 HK\$'000	As at 31 March 2011 HK\$'000
Renminbi	228	121
Hong Kong dollars	561	1,121
	<b>789</b>	1,242

## 9. CASH AND CASH EQUIVALENTS

	As at 30 September 2011 HK\$'000	As at 31 March 2011 HK\$'000
Cash and bank balances	61,788	68,691
Maximum exposure to credit risk	61,767	68,617

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### 9. CASH AND CASH EQUIVALENTS *(continued)*

The carrying amounts of cash and bank balances are denominated in the following currencies:

	<b>As at 30 September 2011 HK\$'000</b>	As at 31 March 2011 HK\$'000
Renminbi	43,782	43,288
Hong Kong dollars	17,925	25,322
Others	81	81
	<b>61,788</b>	68,691

### 10. TRADE AND OTHER PAYABLES

	<b>As at 30 September 2011 HK\$'000</b>	As at 31 March 2011 HK\$'000
Trade payables	328	328
Other payables and accruals	1,588	2,727
	<b>1,916</b>	3,055

The carrying amounts of trade and other payables approximate their fair values as at 30 September 2011 and 31 March 2011 and are denominated in the following currencies:

	<b>As at 30 September 2011 HK\$'000</b>	As at 31 March 2011 HK\$'000
Hong Kong dollars	1,139	2,330
Renminbi	777	725
	<b>1,916</b>	3,055

All trade payables of the Group were aged over twelve months based on the invoice issue date.

## 11. CONVERTIBLE BOND

The convertible bond issued has been split as to the liability and equity component and movement of the convertible bond is as follows:

	As at 30 September 2011 HK\$'000	As at 31 March 2011 HK\$'000
Nominal value of the convertible bond	68,000	68,000
Equity component	(5,888)	(4,629)
Liability component		
— Liability component at 1 April 2011 and 1 April 2010	62,112	63,371
— Interest expenses	426	4,350
Total liability component	62,538	67,721
Analysis into		
— Current liabilities	2,040	1,877
— Non-current liabilities	60,498	65,844
	62,538	67,721

## 12. SHARE CAPITAL

	Number of shares		Share capital	
	30 September 2011 '000	31 March 2011 '000	30 September 2011 HK\$'000	31 March 2011 HK\$'000
Ordinary shares of HK\$0.10 each				
<b>Authorised:</b>				
Balance at beginning and at end of the period/year	4,000,000	4,000,000	400,000	400,000
<b>Issued and fully paid:</b>				
Balance at beginning of the period/year	347,954	344,326	34,795	34,433
Share options exercised	—	3,628	—	362
Balance at end of the period/year	347,954	347,954	34,795	34,795

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### 12. SHARE CAPITAL (continued)

Under the share option scheme adopted by the Company on 7 November 2003, the directors may, at their discretion, grant to eligible participants including directors and employees of the Group, options to subscribe for shares in the capital of the Company. The maximum number of shares in respect of which options may be granted under the scheme may not exceed 10% of the issued share capital of the Company. The movement of share options during the six months period ended 30 September 2011 is as below:

	Number of shares '000
Outstanding at 1 April 2011	21,799
Exercised during the period	—
<b>Outstanding at 30 September 2011</b>	<b>21,799</b>

### 13. COMMITMENTS

#### Operating lease commitments

At 30 September 2011 and 31 March 2011, the Group had the total of future minimum lease payments under non-cancellable operating leases with respect of office premises as follows:

	As at 30 September 2011 HK\$'000	As at 31 March 2011 HK\$'000
Not later than one year	5,212	865
Within the second to fifth year inclusive	5,776	—
	<b>10,988</b>	865

### 14. RELATED PARTY TRANSACTIONS

In addition to key management personnel remuneration disclosed in note 4 to the condensed consolidated interim financial statements, the Group has engaged in a related party transaction with Ricco Capital (Holdings) Limited ("Ricco"), a company wholly owned by the chairman of the Group, during the period. Pursuant to an office sharing and management service agreement between the Group and Ricco effective from 1 July 2011, the parties thereto agreed to share administrative services relating to business consulting and use of the Hong Kong office premises basically on a cost basis. The expenses accrued from office rentals, related facilities and utilities paid by the Group to Ricco under the above agreement amounted to approximately HK\$721,000 for the period from 1 July 2011 to 30 September 2011 (six months ended 30 September 2010: nil).

### 15. COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform to the current period's presentation.

### 16. APPROVAL OF THE INTERIM FINANCIAL REPORT

This interim financial report was approved by the Board of Directors on 25 November 2011.

## INTERIM DIVIDEND

The Directors have decided not to declare any interim dividend for the six months ended 30 September 2011 (six months ended 30 September 2010: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the six months ended 30 September 2011, the Group reported a turnover of approximately HK\$710,000 (six months ended 30 September 2010: nil), which was generated solely from the business of property development and investment. During the period under review, loss attributable to owners of the Company decreased by about 23% to HK\$7,621,000 (six months ended 30 September 2010: HK\$9,937,000), loss per share decreased by about 24% to HK2.19 cents (six months ended 30 September 2010: HK2.89 cents). The reduction in loss was mainly attributed to the fact that loss of the corresponding period in 2010 included extra administrative expenses incurred for exploring possible avenues for the Group's business development.

### Business Review and Prospects

During the six months ended 30 September 2011, the Group has been continuing a consistent operation strategy to sell its completed properties under the property development projects located in the People's Republic of China (the "PRC"). The sales volume of commercial properties and car parking space was about 152 square metres and 3 units respectively, which generated turnover in aggregate amounted to HK\$710,000 in the period under review (six months ended 30 September 2010: nil). At 30 September 2011, there remained a gross floor area of approximately 7,985 square metres of commercial properties in Zouping, Shandong and 8 car park units in Pudong, Shanghai held by the Group in the PRC. The Group also generated revenue by leasing out certain commercial properties held in Zouping, Shandong. Rental income of approximately HK\$116,000 was recorded and accounted for as other revenues for the period under review (six months ended 30 September 2010: HK\$88,000).

Despite that properties sales manifested modest improvement under the existing operating mode during the period, the Group has been assessing the situation and considering making necessary adjustment so as to realize on its investments in the property projects. Going forward, the management will use its best endeavours to explore new business and appropriate investment opportunities, especially in the PRC. It is in the process of evaluation of a couple of new investment projects. The Group's long term plan is to diversify its business development with an aim of broadening its income stream and turning the bottom line around. The Group will continue to adopt a stable financial management strategy in the course of identifying suitable investment opportunities.

### Liquidity and Financial Resources

At 30 September 2011, cash and bank balances of the Group amounted to approximately HK\$61,788,000, as compared to approximately HK\$68,691,000 at 31 March 2011. At the end of the period, the Group's total borrowings represented the carrying amount of the convertible bond (as defined below) of approximately HK\$62,538,000 (31 March 2011: HK\$67,721,000).

## **MANAGEMENT DISCUSSION AND ANALYSIS** *(continued)*

### **Liquidity and Financial Resources** *(continued)*

During the period, the Group's business operations were mainly in Hong Kong and the PRC. Hence, most of the transactions were denominated and settled in Hong Kong dollars and Renminbi. As there was no significant exposure to foreign exchange fluctuation arising from the normal course of operations, the Group did not enter into any foreign exchange hedge arrangement to reduce foreign exchange risk and exposure.

Shareholders' equity is approximately HK\$24,772,000 at 30 September 2011 (31 March 2011: HK\$28,683,000).

The Group's gearing ratio at 30 September 2011, expressed as the percentage of the Group's total borrowings over shareholders' equity, was approximately 252%, as compared with 236% at 31 March 2011.

### **Capital Structure**

At 30 September 2011, the Company's issued share capital was HK\$34,795,388 with 347,953,880 ordinary shares of HK\$0.10 each in issue.

Subsequent to the period end date, an option holder exercised his option rights to subscribe for 3,305,000 shares at an exercise price of HK\$0.177 per share. Hence, the Company's issued share capital increased to HK\$35,125,888 divided into 351,258,880 ordinary shares of HK\$0.10 each.

The Company had issued a convertible bond with a principal amount of HK\$68,000,000 to Loyal Delight Group Limited, an independent third party. On 9 March 2011, the Company and Loyal Delight Group Limited entered into a deed of amendment to amend various terms of the convertible bond. Such amendments, among others, included the extension of the maturity date to 7 May 2016, adjustment of conversion price to HK\$0.418 per share and adjustment of the interest rate to 3% per annum with effect from 8 May 2011, were approved by the shareholders of the Company at a special general meeting held on 18 April 2011.

### **Material Acquisitions and Disposals of Subsidiaries and Associated Companies**

There was no material acquisition or disposal of subsidiaries and associated companies during the period.

### **Employees**

At 30 September 2011, the total number of employees of the Group based in Hong Kong and the PRC was approximately 23 (31 March 2011: 23).

Employees are basically remunerated based on the nature of their job and their performance as well as prevailing market trend. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Company also adopted a share option scheme in November 2003 to reward employees of the Group for their contributions to the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### Charges on Group assets

At 30 September 2011, the Group had no significant assets pledged to banks to secure general banking facilities and bank loan granted to the Group (31 March 2011: nil).

### Capital commitment and contingent liabilities

At 30 September 2011, the Group had no outstanding capital commitments (31 March 2011: nil) and no material contingent liabilities (31 March 2011: nil).

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 September 2011, details of the interests of the directors and chief executive of the Company in the equity and debt securities of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO") which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

### (A) Long position in ordinary shares of the Company

Name of director	Capacity	Number of ordinary shares	Percentage of the Company's issued share capital
WU Siu Chung	Through a controlled corporation	92,000,000 (Note 1)	26.44%
CHEN Yuan Shou, Budiman	Beneficially owned	8,666,820 (Note 2)	2.49%
LO Yuk Lam	Beneficially owned and through family interest	530,000 (Note 3)	0.15%
WONG Kam Wah	Beneficially owned	82,000	0.02%

Notes:

- These shares were held by Brilliant Express International Limited, a company wholly owned by Mr. Wu Siu Chung.
- At the date of this report, Mr. Chen Yuan Shou, Budiman had interests of 11,971,820 shares in the issued share capital of the Company (representing approximately 3.41% of the Company's existing issued share capital), which was mainly due to the allotment and issue of 3,305,000 shares by the Company to him upon his exercise of option rights after the period end date.
- Of these shares, 330,000 shares were personally held by Mr. Lo Yuk Lam and 200,000 shares were held by his wife, Ms. Pang Wai Bing, Cecilia.



## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SECURITIES *(continued)*

### (B) Long position in underlying shares – share options

Details of the interests of directors in share options of the Company were contained in the section headed "Share Option Scheme" below.

Save as disclosed above, as at 30 September 2011, none of the directors and chief executive of the Company was interested in the equity and debt securities of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

### SUBSTANTIAL SHAREHOLDERS

As at 30 September 2011, according to the register kept by the Company under section 336 of the SFO, the following shareholders, other than a director or chief executive of the Company, had an interest or short position in the Company's shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

#### Long position in ordinary shares of the Company

<b>Name</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Percentage of Company's issued the share capital</b>
Brilliant Express International Limited (Note)	Directly beneficially owned	92,000,000	26.44%

Note: Mr. Wu Siu Chung, the chairman and a director of the Company, is the ultimate beneficial owner of Brilliant Express International Limited. Under Part XV of the SFO, Mr. Wu Siu Chung is deemed to have an interest in these shares, as disclosed in the section headed "Directors' Interests and Short Positions in Securities" above.

Save as disclosed above, as far as the directors are aware, no other person had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## SHARE OPTION SCHEME

To comply with Chapter 17 (Equity Securities — Share Option Schemes) of the Listing Rules, the Company adopted a share option scheme on 7 November 2003 as approved by the shareholders at a special general meeting.

No share options were granted, exercised, cancelled or lapsed under the Company's share option scheme during the period ended 30 September 2011. Particulars of outstanding options at the beginning and at the end of the period were as follows:

Participants	Date of Grant	Exercisable period	Exercise price per share HK\$	Number of share options			
				At 1 April 2011	Granted during the period	Exercised during the period	At 30 September 2011
Directors							
WU Siu Chung	23/01/2008 09/03/2011	23/01/2009 - 22/01/2012 09/03/2011 - 08/03/2014	1.200 0.390	800,000 3,000,000	— —	— —	800,000 3,000,000
				<b>3,800,000</b>	<b>—</b>	<b>—</b>	<b>3,800,000</b>
CHEN Xiaoping	09/03/2011	09/03/2011 - 08/03/2014	0.390	<b>2,500,000</b>	—	—	<b>2,500,000</b>
CHEN Yuan Shou, Budiman	18/12/2003 16/04/2007 16/04/2007 09/03/2011	18/12/2005 - 17/12/2015 01/11/2008 - 31/10/2011 01/11/2009 - 31/10/2012 09/03/2011 - 08/03/2014	0.106 0.177 0.177 0.390	3,305,000 3,305,000 3,305,000 346,000	— — — —	— — — —	3,305,000 3,305,000 3,305,000 346,000
				<b>10,261,000</b>	<b>—</b>	<b>—</b>	<b>10,261,000</b>
Eduard William Rudolf Helmuth WILL	09/03/2011	09/03/2011 - 08/03/2014	0.390	<b>2,500,000</b>	—	—	<b>2,500,000</b>
LO Yuk Lam	18/12/2003 09/03/2011	18/12/2005 - 17/12/2015 09/03/2011 - 08/03/2014	0.106 0.390	330,000 346,000	— —	— —	330,000 346,000
				<b>676,000</b>	<b>—</b>	<b>—</b>	<b>676,000</b>
WONG Kam Wah	18/12/2003 09/03/2011	18/12/2005 - 17/12/2015 09/03/2011 - 08/03/2014	0.106 0.390	330,000 346,000	— —	— —	330,000 346,000
				<b>676,000</b>	<b>—</b>	<b>—</b>	<b>676,000</b>
David R. PETERSON	09/03/2011	09/03/2011 - 08/03/2014	0.390	<b>346,000</b>	—	—	<b>346,000</b>
Employees and others	09/03/2011	09/03/2011 - 08/03/2014	0.390	<b>1,040,000</b>	—	—	<b>1,040,000</b>
<b>Total</b>				<b>21,799,000</b>	<b>—</b>	<b>—</b>	<b>21,799,000</b>

Note: After the period end date, Mr. Chen Yuan Shou, Budiman exercised his option rights to subscribe for 3,305,000 shares of the Company. Accordingly, he had outstanding and unexercised options entitling him to subscribe for only 6,956,000 shares of the Company at the date of this report.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited interim results for the six months ended 30 September 2011. The Audit Committee currently comprises three members including two independent non-executive directors, Mr. LO Yuk Lam and Mr. WONG Kam Wah, and a non-executive director, Mr. Eduard William Rudolf Helmuth WILL.

## CODE ON CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules during the interim period.

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, the Company's non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws, so accomplishing the same purpose as a specific term of appointment.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by directors of the Company. Based on the specific enquiry made to the Company's directors, they have complied with the required standard set out in the Model Code throughout the accounting period under review.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of its shares during the six months ended 30 September 2011.

By order of the Board of  
**SOUTH EAST GROUP LIMITED**  
**Wu Siu Chung**  
*Chairman*

Hong Kong, 25 November 2011

*The directors of the Company as at the date of this announcement are Mr. WU Siu Chung (Chairman) and Mr. CHEN Xiaoping as executive directors; Mr. CHEN Yuan Shou, Budiman and Eduard William Rudolf Helmuth WILL as non-executive directors; Mr. LO Yuk Lam, Mr. WONG Kam Wah and Mr. David R. PETERSON as independent non-executive directors.*