



South East Group Limited

東南國際集團有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 726

Interim Report

2013

* For identification purpose only

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 2013 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 Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2013

	Note	Six months ended 30 September	
		2013 HK\$'000	2012 HK\$'000
Turnover	3	—	732
Cost of properties sold		—	(354)
Gross profit		—	378
Other revenues		698	1,074
Selling and distribution costs		(12)	(14)
Administrative expenses		(7,905)	(8,095)
Loss from operations	4	(7,219)	(6,657)
Finance costs	5	(1,609)	(1,580)
Loss before taxation		(8,828)	(8,237)
Taxation	6(a)	—	(3)
Loss for the period		(8,828)	(8,240)
Other comprehensive (loss)/income:			
Translation difference		703	451
Change in fair value of available-for-sale financial assets		(956)	(991)
Other comprehensive loss for the period		(253)	(540)
Total comprehensive loss for the period		(9,081)	(8,780)
Loss for the period attributable to:			
Owners of the Company		(8,828)	(8,240)
Total comprehensive loss attributable to:			
Owners of the Company		(9,081)	(8,780)
Interim dividend per share		Nil	Nil
Loss per share attributable to owners of the Company			
Basic and diluted (cents)	7	(2.51)	(2.35)

The notes on pages 5 to 11 form an integral part of these condensed interim financial statements.

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 September 2013

	Note	30 September 2013 (unaudited) HK\$'000	31 March 2013 (audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		26	39
Goodwill	8	—	—
Available-for-sale financial assets		2,350	3,306
Total non-current assets		2,376	3,345
CURRENT ASSETS			
Held-to-maturity investments		780	780
Properties held for sale		22,500	22,318
Trade and other receivables	9	2,936	3,528
Cash and cash equivalents	10	31,667	39,855
Total current assets		57,883	66,481
CURRENT LIABILITIES			
Trade and other payables	11	1,748	2,815
Tax payable	6(b)	163	165
Convertible bond	12	2,040	2,040
Total current liabilities		3,951	5,020
NET CURRENT ASSETS		53,932	61,461
TOTAL ASSETS LESS CURRENT LIABILITIES		56,308	64,806
NON-CURRENT LIABILITIES			
Convertible bond	12	62,726	62,143
NET (LIABILITIES)/ASSETS		(6,418)	2,663
CAPITAL AND RESERVES (Capital deficiency)/Equity attributable to owners of the Company:			
Share capital	13	35,126	35,126
Reserves		(41,544)	(32,463)
TOTAL (DEFICIT)/EQUITY		(6,418)	2,663

The notes on pages 5 to 11 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 2013

	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
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013									
Balance at 1 April 2013	35,126	11,337	(2,917)	5,888	15,558	131,166	1,538	(195,033)	2,663
Comprehensive loss:									
Loss for the period	—	—	—	—	—	—	—	(8,828)	(8,828)
Other comprehensive (loss)/income:									
Change in fair value of available-for-sale financial assets	—	—	(956)	—	—	—	—	—	(956)
Translation difference	—	—	—	—	703	—	—	—	703
Total comprehensive (loss)/income for the period	—	—	(956)	—	703	—	—	(8,828)	(9,081)
Transactions with owners:									
Cancellation of share options	—	—	—	—	—	—	(40)	40	—
Total transactions with owners	—	—	—	—	—	—	(40)	40	—
Balance at 30 September 2013	35,126	11,337	(3,873)	5,888	16,261	131,166	1,498	(203,821)	(6,418)
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012									
Balance at 1 April 2012	35,126	11,337	(1,742)	5,888	15,106	131,166	1,897	(178,535)	20,243
Comprehensive loss:									
Loss for the period	—	—	—	—	—	—	—	(8,240)	(8,240)
Other comprehensive (loss)/income:									
Change in fair value of available-for-sale financial assets	—	—	(991)	—	—	—	—	—	(991)
Translation difference	—	—	—	—	451	—	—	—	451
Total comprehensive (loss)/income for the period	—	—	(991)	—	451	—	—	(8,240)	(8,780)
Balance at 30 September 2012	35,126	11,337	(2,733)	5,888	15,557	131,166	1,897	(186,775)	11,463

The notes on pages 5 to 11 form an integral part of these condensed interim financial statements.

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2013

	Six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
Net cash used in operating activities	(7,022)	(7,107)
Net cash generated from investing activities	174	188
Net cash used in financing activities	(2,043)	(2,042)
Net decrease in cash and cash equivalents	(8,891)	(8,961)
Cash and cash equivalents at the beginning of the period	39,855	56,597
Effect of foreign exchange rates changes	703	451
Cash and cash equivalents at the end of the period	31,667	48,087

The notes on pages 5 to 11 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").

These unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand unless otherwise stated.

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 2013.

2. Summary of Principal Accounting Policies

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

The accounting policies adopted in the preparation of 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 2013. In the current interim period, the Group has applied a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2013.

Significant accounting policies newly adopted by the Group

HKAS 1 (Revised)	Presentation of financial statements
HKAS 27 (2011)	Separate financial statements
HKFRS 10	Consolidated financial statements
HKFRS 13	Fair value measurement
HKFRS 7 (Amendments)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities

Impact of new and revised HKFRSs

The adoption of these new and revised HKFRSs had no significant financial effect on the Group's results of operation and financial position.

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 discount, for the six months ended 30 September 2013.

The chief operating decision-maker has been identified as the Company's executive directors. The Group's principal activity is property development in the People's Republic of China (the "PRC"). The executive directors regard it as a single business segment and no segment information is presented.

At the end of the reporting period, non-current assets included property, plant and equipment with carrying amount of HK\$26,000 (31 March 2013: HK\$39,000) located in the PRC.

4. Loss from Operations

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

	Six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
Crediting:		
Interest income	354	643
Investment income	111	134
Rental income	202	105
Charging:		
Cost of properties sold	—	354
Depreciation	13	179
Operating lease payments	2,794	2,479
Directors' remuneration		
— Fees	253	300
— Salaries and allowances	1,260	1,260
— Retirement benefit schemes contribution	15	14
Staff costs (excluding directors' remuneration)		
— Salaries and allowances	1,937	1,930
— Retirement benefit schemes contribution	90	98

5. Finance Costs

	Six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
Interest expenses on convertible bond	1,606	1,578
Others	3	2
	1,609	1,580

6. Taxation

- a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 September	
	2013 HK\$'000	2012 HK\$'000
The PRC Enterprise Income Tax Provision for the period	—	3

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 2012: nil).

Taxation on profits derived in the PRC for subsidiaries has been calculated at the rate of tax prevailing in the PRC, Enterprise Income Tax rate, of 25% (2012: 25%), which is based on existing legislation, interpretations and practices in respect thereof.

- b) At the end of the reporting period, the Group had the following income tax (payable) and prepayment:

	As at 30 September 2013 HK\$'000	As at 31 March 2013 HK\$'000
	The PRC Enterprise Income Tax Tax payable	(377)
Tax prepayment	214	213
Net tax payable	(163)	(165)

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 HK\$8,828,000 (six months ended 30 September 2012: loss of HK\$8,240,000) and on the weighted average number of 351,258,880 (six months ended 30 September 2012: 351,258,880) ordinary 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 loss per share for both periods.

8. Goodwill

	HK\$'000
Cost	
At 1 April 2012, 31 March 2013 and 30 September 2013	25
Accumulated impairment loss	
At 1 April 2012, 31 March 2013 and 30 September 2013	(25)
Carrying amount	
At 30 September 2013	—
At 31 March 2013	—

Goodwill represents the excess of the cost of acquisition over the net fair value of the Group's acquisition of 100% interest in Ricco Mining Investment Limited together with its wholly own subsidiary Excel Profit International Investment Limited (collectively, the "Ricco Mining Group") from a related company, Ricco Energy (Holdings) Limited in 2010. The carrying amount of goodwill was allocated to the cash-generating unit ("CGU") of the Group's operations other than property development in the PRC.

The recoverable amounts of the relevant CGU have been determined on the basis of value-in-use calculations. For the purpose of impairment testing, the recoverable amount of the CGU is determined based on its fair value less cost to sell or value-in-use calculations. The key assumption has been determined by the Group's management based on the future income generated from the Ricco Mining Group. The directors are of the opinion that full impairment of goodwill is required.

9. Trade and Other Receivables

	As at 30 September 2013 HK\$'000	As at 31 March 2013 HK\$'000
Trade receivables	1,191	1,206
Less: Provision for impairment	(1,191)	(1,206)
Trade receivables, net of provision	—	—
Deposits and other receivables	2,736	3,042
Maximum exposure to credit risk	2,736	3,042
Prepayments	200	486
	2,936	3,528

The carrying amounts of trade and other receivables approximated their fair values as at 30 September 2013 and 31 March 2013. The Group does not hold any collateral over these balances.

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

9. Trade and Other Receivables *(continued)*

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

	As at 30 September 2013 HK\$'000	As at 31 March 2013 HK\$'000
Hong Kong dollars	1,492	1,768
Renminbi	1,444	1,760
	2,936	3,528

10. Cash and Cash Equivalents

	As at 30 September 2013 HK\$'000	As at 31 March 2013 HK\$'000
Cash and bank balances	31,667	39,855
Maximum exposure to credit risk	31,650	39,813

The carrying amounts of cash and cash equivalents were denominated in the following currencies:

	As at 30 September 2013 HK\$'000	As at 31 March 2013 HK\$'000
Renminbi	30,674	37,038
Hong Kong dollars	850	2,674
Others	143	143
	31,667	39,855

11. Trade and Other Payables

	As at 30 September 2013 HK\$'000	As at 31 March 2013 HK\$'000
Trade payables	329	326
Other payables and accruals	1,419	2,489
	1,748	2,815

11. Trade and Other Payables (continued)

The carrying amounts of trade and other payables approximated their fair values as at 30 September 2013 and 31 March 2013 and were denominated in the following currencies:

	As at 30 September 2013 HK\$'000	As at 31 March 2013 HK\$'000
Renminbi	898	651
Hong Kong dollars	850	2,164
	1,748	2,815

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

12. 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 2013 HK\$'000	As at 31 March 2013 HK\$'000
Nominal value of the convertible bond	68,000	68,000
Equity component	(5,888)	(5,888)
Liability component		
— Liability component	62,112	62,112
— Interest expenses	2,654	2,071
Total liability component	64,766	64,183
Analysis into		
— Current liabilities	2,040	2,040
— Non-current liabilities	62,726	62,143
	64,766	64,183

13. Share Capital

	Number of shares		Share capital	
	30 September 2013 '000	31 March 2013 '000	30 September 2013 HK\$'000	31 March 2013 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
Balance at the beginning and at the end of the period/year	4,000,000	4,000,000	400,000	400,000
Issued and fully paid:				
Balance at the beginning and at the end of the period/year	351,259	351,259	35,126	35,126

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 2013 is as below:

	Number of share options '000
Outstanding at 31 March 2013	14,389
Lapsed during the period	(346)
Outstanding at 30 September 2013	14,043

The above share option scheme was replaced by a new share option scheme adopted by the Company in the annual general meeting held on 7 August 2013 and was terminated accordingly. No further options can be granted after its termination but all options granted prior to such termination will continue to be valid and exercisable.

14. Operating Lease Commitments

At 30 September 2013 and 31 March 2013, the total future minimum lease payments under non-cancellable operating leases with respect of office premises are as follows:

	As at 30 September 2013 HK\$'000	As at 31 March 2013 HK\$'000
Not later than one year	5,639	2,735
Within the second to fifth year inclusive	6,048	—
	11,687	2,735

15. Related Party Transactions

Other than those disclosed in the notes elsewhere to the condensed consolidated interim financial statements, during the period, the Group has received from Ricco Capital (Holdings) Limited, a company wholly owned by the chairman of the Group, an administrative services fees income of HK\$6,000 (six months ended 30 September 2012: HK\$6,000) for the provision of registered office address.

16. Comparative Figures

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

17. Approval of the Interim Financial Report

This interim financial report was approved by the Board of Directors on 22 November 2013.

Interim Dividend

The Board of Directors has decided not to declare any interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: nil).

Management Discussion and Analysis

Financial Review

The Group recorded no turnover from its principal activities for the six months ended 30 September 2013 (six months ended 30 September 2012: HK\$732,000). During the period under review, the Group's loss attributable to owners of the Company amounted to approximately HK\$8,828,000 (six months ended 30 September 2012: HK\$8,240,000) and loss per share was HK 2.51 cents (six months ended 30 September 2012: HK 2.35 cents).

At 30 September 2013, the unaudited total assets and net liabilities of the Group were HK\$60,259,000 and HK\$6,418,000 (31 March 2013 (audited): total assets of HK\$69,826,000 and net assets of HK\$2,663,000) respectively. The decrease in the Group's net asset value was mainly attributable to the decrease in cash and bank balances of approximately HK\$8,188,000 which was mainly applied to finance the Group's day-to-day operations.

Business Review and Prospects

During the six months ended 30 September 2013, the Group continued the operations of property business in the People's Republic of China (the "PRC"). However, no turnover was recorded during the period under review (six months ended 30 September 2012: HK\$732,000). After the Group sold all its car park units in the previous year, there only remained a gross floor area of approximately 7,985 square metres of completed commercial properties in Zouping, Shandong Province, the PRC, which was held by the Group for sale at 30 September 2013. As in prior years, the Group continued to lease out part of its commercial properties and recorded rental income of approximately HK\$202,000 during the period under review (six months ended 30 September 2012: HK\$105,000), which was accounted for as other revenues.

The Group has been actively and cautiously exploring suitable investment opportunities to expand its scope of operations and to diversify its business development so as to broaden its income stream. The Group continues to adopt stringent criteria in selecting investment projects manifesting sustainable growth potential. As no suitable projects have been concluded so far, the Group has not achieved great progress in its business. It is aware that the need to develop new business is imminent. The Group will try its best endeavours to capture any favourable opportunities for prudent investments in order to ensure a continuous, stable and healthy growth in the future.

Management Discussion and Analysis *(continued)*

Liquidity and Financial Resources

At 30 September 2013, cash and bank balances of the Group amounted to approximately HK\$31,667,000 as compared to approximately HK\$39,855,000 at 31 March 2013. 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\$64,766,000 (31 March 2013: HK\$64,183,000).

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.

The Group had capital deficiency of approximately HK\$6,418,000 at 30 September 2013 (31 March 2013: equity attributable to owners of the Company of HK\$2,663,000).

A wholly owned subsidiary of the Company, Benelux Property Development (Shanghai) Limited, has given undertaking to provide continuing financial support to the Company by way of declaration of dividend so as to enable the Company to continue its day-to-day operations as a viable going concern and to continue its existence for the foreseeable future. The directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and financial requirements and will continue as a going concern.

Capital Structure

At 30 September 2013, the Company's issued share capital was HK\$35,125,888 (31 March 2013: HK\$35,125,888) with 351,258,880 (31 March 2013: 351,258,880) ordinary shares of HK\$0.10 each in issue.

At 30 September 2013, the Company had a convertible bond with an outstanding principal amount of HK\$68,000,000 (the "Convertible Bond"). The Convertible Bond was issued by the Company to Loyal Delight Group Limited, an independent third party; which was subsequently amended by the parties involved pursuant to a deed of amendment with the approval of the shareholders of the Company at a special general meeting held on 18 April 2011. The Convertible Bond was so amended that its maturity date is now 7 May 2016 (the "Maturity Date"), the coupon interest rate is 3% per annum and the conversion price is HK\$0.418 per share. The Company has no obligation to redeem the Convertible Bond prior to the Maturity Date unless an event of default as provided in the terms and conditions of the Convertible Bond has occurred prior to the Maturity Date and the bondholder serves a notice on the Company requiring the Convertible Bond to be redeemed.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

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

Management Discussion and Analysis *(continued)*

Employees

At 30 September 2013, the total number of employees of the Group based in Hong Kong and the PRC was 23 (31 March 2013: 23).

Employees are basically remunerated based on the nature of their job and their performance as well as the prevailing market trend. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. Other employee benefits include mandatory provident fund, medical insurance coverage and share option scheme.

Charges on Group Assets

At 30 September 2013, the Group had no significant assets pledged to banks to secure general banking facilities and bank loan granted to the Group (31 March 2013: nil).

Capital Commitment and Contingent Liabilities

At 30 September 2013, the Group had no outstanding capital commitments (31 March 2013: nil) and no material contingent liabilities (31 March 2013: nil).

Directors' Interests and Short Positions in Securities

As at 30 September 2013, 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)	26.19%
CHEN Yuan Shou, Budiman	Beneficially owned	11,971,820	3.41%
LO Yuk Lam	Beneficially owned and through family interest	530,000 (Note 2)	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.
- 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 2013, 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 2013, 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:

Name	Capacity	Number of ordinary shares	Percentage of Company's issued the share capital
Brilliant Express International Limited (Note)	Directly beneficially owned	92,000,000	26.19%

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 at 30 September 2013, 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

The share option scheme adopted by the Company on 7 November 2003 (the “Old Scheme”) would have expired on 7 November 2013 unless terminated otherwise. An ordinary resolution for the approval and adoption of a new share option scheme (the “New Scheme”) in place of the Old Scheme was proposed at the annual general meeting of the Company held on 7 August 2013, which was duly passed by the Company’s shareholders. The New Scheme has become unconditional and will remain in force and effect for a period of 10 years commencing on 7 August 2013, and the Old Scheme has been terminated accordingly.

During the period ended 30 September 2013, no share options were granted and exercised under the Old Scheme and the New Scheme. 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 2013	Granted during the period	Exercised during the period	Lapsed during the period	At 30 September 2013
Directors								
WU Siu Chung	09/03/2011	09/03/2011 - 08/03/2014	0.390	3,000,000	—	—	—	3,000,000
CHEN Xiaoping	09/03/2011	09/03/2011 - 08/03/2014	0.390	2,500,000	—	—	—	2,500,000
Eduard William Rudolf Helmuth WILL	09/03/2011	09/03/2011 - 08/03/2014	0.390	2,500,000	—	—	—	2,500,000
CHEN Yuan Shou, Budiman	18/12/2003 09/03/2011	18/12/2005 - 17/12/2015 09/03/2011 - 08/03/2014	0.106 0.390	3,305,000 346,000	— —	— —	— —	3,305,000 346,000
				3,651,000	—	—	—	3,651,000
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
				676,000	—	—	—	676,000
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
				676,000	—	—	—	676,000
David R. PETERSON (Note)	09/03/2011	09/03/2011 - 08/03/2014	0.390	346,000	—	—	(346,000)	—
Employees								
	09/03/2011	09/03/2011 - 08/03/2014	0.390	1,040,000	—	—	—	1,040,000
Total				14,389,000	—	—	(346,000)	14,043,000

Note: Mr. David R. Peterson resigned on 8 May 2013, and his options lapsed and were cancelled accordingly.

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 2013. The Audit Committee currently comprises three members including two independent non-executive directors, Mr. WONG Kam Wah and Mr. LO Yuk Lam, and a non-executive director, Mr. Eduard William Rudolf Helmuth WILL.

Corporate Governance Practices

The Company has applied the principles and complied with the applicable code provisions (the “Code Provision”) of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the interim period, except the following deviations:

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The Company has adopted a policy to enter into letters of appointment with the non-executive directors newly appointed or re-elected for a specific term, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the bye-laws of the Company. Currently, Mr. Chen Yuan Shou, Budiman, a non-executive director of the Company, has not been appointed for a specific term but is subject to retirement by rotation and re-election in accordance with the Company’s bye-laws. He will be re-appointed for a specific term when it comes to his turn to vacate office by rotation and be re-elected. Save for the above, all non-executive directors (including independent non-executive directors) of the Company have been appointed for a specific term, but are always subject to re-election in accordance with the Company’s bye-laws.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chen Yuan Shou, Budiman, a non-executive director, and Mr. Lo Yuk Lam, an independent non-executive director, could not attend the annual general meeting of the Company held on 7 August 2013 because of other business commitments.

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.

Changes in Information of Directors

Save as disclosed elsewhere in this report, below are the changes of directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Company's 2013 annual report:

(1) Change of directorship

Name of Director	Details of Change
Mr. David R. PETERSON	resigned as an independent non-executive director of the Company on 8 May 2013
Mr. LING Kit Wah Joseph	appointed as an independent non-executive director of the Company on 7 October 2013

Following the resignation of Mr. David R. Peterson on 8 May 2013, the Company had only two independent non-executive directors and therefore could not strictly comply with Rule 3.10(1) of the Listing Rules. Upon the appointment of Mr. Ling Kit Wah Joseph as an independent non-executive director of the Company on 7 October 2013 to fill the casual vacancy caused by the resignation of Mr. David R. Peterson, the Company has complied with the requirement of sufficient number of independent non-executive directors under the Listing Rules again.

(2) Service contracts with executive directors

On 2 October 2013, each of Mr. Wu Siu Chung and Mr. Chen Xiaoping renewed his service agreement with the Company for a period of three years from 1 October 2013, and would continue thereafter unless and until terminated by either party by six months' prior notice.

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 2013.

By Order of the Board of
South East Group Limited
Wu Siu Chung
Chairman

Hong Kong, 22 November 2013

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