

REPORT OF THE DIRECTORS

SOUTH EAST GROUP LIMITED ANNUAL REPORT 2004

The directors have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 11 to the financial statements.

SEGMENT INFORMATION

The business activities of the Group are categorised into the manufacturing and trading of data storage media products, property development, wine producing and other strategic investment projects. Details of the segment information are set out in note 30 to the financial statements.

FINANCIAL RESULTS

The profit and cash flows of the Group for the year ended 31 March 2004 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 15 to 20.

DIVIDENDS

The directors do not recommend the payment of any dividends for the year (2003: Nil).

FINANCIAL SUMMARY

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years is set out on page 50.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in note 22 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 10 to the financial statements.

SHARE CAPITAL

Details of share capital during the year are set out in note 20 to the financial statements.

SHARE OPTION SCHEME

Due to the expiration of share option scheme adopted by the Company on 1 July 1991, and to comply with Chapter 17 (Equity Securities – Share Option Schemes) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), the Company adopted a new share option scheme on 7 November 2003 as approved by the shareholders at the Special General Meeting.

Details of the share option scheme of the Company are set out in note 21 to the financial statements.

The share options granted are not recognised in the accounts until they are exercised. The directors consider that it is not appropriate to value the share options on the ground that certain crucial factors for such valuation are variable which cannot be reasonably determined at this stage. Any revaluation of the share options based on the speculative assumptions in respect of such variables would not be meaningful and the results thereof may be misleading to the shareholders. Thus, it is more appropriate to disclose only the market price and exercise price in note 21 to the financial statements.

BORROWINGS

Details of the borrowings of the Group at 31 March 2004 are set out in note 18 to the financial statements.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

EXECUTIVE DIRECTORS:

Mr. Budiman RAHARDJA (*Chairman*)

Mr. KWAN Kei Chor, Samuel

Ms. Herlina NURYANTI (resigned on 1 September 2003)

NON-EXECUTIVE DIRECTORS:

Mr. LO Yuk Lam**

Mr. WONG Kam Wah**

Mr. CHEN Zhi Yung

Ms. CHEN Lee Mui (resigned on 1 April 2004)

** Independent non-executive directors

In accordance with bye-law 182 (vi) of the Company’s Bye-Laws, Mr. Lo Yuk Lam and Mr. Kwan Kei Chor, Samuel shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

REPORT OF THE DIRECTORS

SOUTH EAST GROUP LIMITED ANNUAL REPORT 2004

DIRECTORS' SERVICE CONTRACTS

Mr. Budiman RAHARDJA has entered into a service agreement with the Company for a period of four years from 1 April 2003 and will continue thereafter unless and until terminated by either party by two months' prior notice.

Mr. KWAN Kei Chor, Samuel has entered into a service agreement with the Company for a period of one year from 1 December 2002 and will continue thereafter unless and until terminated by either party by two months' prior notice.

Apart from the above, none of the directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without the payment of compensation other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 March 2004, details of the interests of the directors and chief executive of the Company in the equity or 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 of Hong Kong Limited (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 Companies ("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	Number of shares held		
	Personal Interests	Family Interests	Corporate Interests
Budiman RAHARDJA	20,382,001	–	115,982,130
			(Note)

Note: Mr. Budiman RAHARDJA personally held 20,382,001 shares in the Company. He was deemed to be interested in the 115,982,130 shares by virtue of the fact that he was interested in the Company's shares through his beneficial shareholding interests in Fortune Grand Investment Limited in which he owns 50% interest. Mr. Budiman RAHARDJA together with his mother, Madam Wasi Hastuti SRI are the beneficial owners of the entire issued share capital of Fortune Grand Investment Limited.

REPORT OF THE DIRECTORS

SOUTH EAST GROUP LIMITED ANNUAL REPORT 2004

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES (CONTINUED)

(B) SHARE OPTIONS OF THE COMPANY

Name	Date of Grant	Options held at 1 April 2003	Options granted during the year	Options exercised during the year	Options held at 31 March 2004	Exercise price HK\$	Exercisable from	Exercisable until
Budiman	18 Dec 2003	Nil	3,305,000	Nil	3,305,000	0.106	18 Dec 2003	17 Dec 2013
RAHARDJA	18 Dec 2003	Nil	3,305,000	Nil	3,305,000	0.106	18 Dec 2004	17 Dec 2014
	18 Dec 2003	Nil	3,305,000	Nil	3,305,000	0.106	18 Dec 2005	17 Dec 2015
KWAN Kei	18 Dec 2003	Nil	1,322,000	Nil	1,322,000	0.106	18 Dec 2003	17 Dec 2013
Chor, Samuel	18 Dec 2003	Nil	1,322,000	Nil	1,322,000	0.106	18 Dec 2004	17 Dec 2014
	18 Dec 2003	Nil	1,322,000	Nil	1,322,000	0.106	18 Dec 2005	17 Dec 2015
LO Yuk Lam	18 Dec 2003	Nil	330,000	Nil	330,000	0.106	18 Dec 2003	17 Dec 2013
	18 Dec 2003	Nil	330,000	Nil	330,000	0.106	18 Dec 2004	17 Dec 2014
	18 Dec 2003	Nil	330,000	Nil	330,000	0.106	18 Dec 2005	17 Dec 2015
WONG Kam Wah	18 Dec 2003	Nil	330,000	Nil	330,000	0.106	18 Dec 2003	17 Dec 2013
	18 Dec 2003	Nil	330,000	Nil	330,000	0.106	18 Dec 2004	17 Dec 2014
	18 Dec 2003	Nil	330,000	Nil	330,000	0.106	18 Dec 2005	17 Dec 2015

Save as disclosed above and other than certain nominee shares in the subsidiaries held in trust for the Group by certain directors, as at 31 March 2004, 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.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS

SOUTH EAST GROUP LIMITED ANNUAL REPORT 2004

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2004, 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 the Divisions 2 and 3 of Part XV of the SFO, or who was 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	Number of shares
Madam Wasi Hastuti SRI	115,982,130 (Note)
Fortune Grand Investment Limited	115,982,130 (Note)

Note: These shareholdings are duplicated and refer to the same parcel of shares as set out in the Note to the section headed "Directors' and Chief Executive's Interests in Shares" 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 the 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.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2004:

- (i) The Group's largest customer and five largest customers accounted for approximately 1% and 5% respectively of the Group's total turnover.
- (ii) The Group's largest supplier and five largest suppliers accounted for approximately 44% and 82% respectively of the Group's total purchases (not including purchases of items which are of capital nature).

None of the directors, their associates, or any shareholders (which to the best knowledge of the directors owned more than 5% of the Company's share capital) has any beneficial interests in these major customers and suppliers.

PURCHASE, SALE OR REDEMPTION OF OWN SHARES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REPORT OF THE DIRECTORS

SOUTH EAST GROUP LIMITED ANNUAL REPORT 2004

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in respect of the shares of the Company under the Company's Bye-Laws although there are no restrictions against such rights under the laws of Bermuda.

DIRECTORS' INTEREST IN COMPETING BUSINESS

At 31 March 2004, none of the directors of the Company has interest in competing business required to be disclosed pursuant to rule 8.10(2) of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters for the year ended 31 March 2004.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 March 2004.

The term of office for the Non-executive Directors of the Company is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-Laws of the Company.

AUDITORS

The auditors, BKR Lew & Barr Limited, a corporation of Certified Public Accountants, retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Budiman RAHARDJA

Chairman

Hong Kong, 16 July 2004