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SOUTH EAST GROUP LIMITED

(東南國際集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 726)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

AUDITED RESULTS

The board of directors (the “Directors”) of South East Group Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2015 with comparative figures for the previous corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	<i>Notes</i>	2015 HK\$'000	2014 HK\$'000 (restated)
Turnover	4	455	817
Cost of sales and services		<u>(80)</u>	<u>(500)</u>
GROSS PROFIT		375	317
Other revenue	5	898	910
Other gains and losses	6	12,061	15,054
Selling and distribution expenses		(34)	(26)
Administrative expenses		<u>(15,841)</u>	<u>(16,632)</u>
LOSS FROM OPERATIONS		(2,541)	(377)
Finance costs	7	<u>(2,254)</u>	<u>(3,214)</u>
LOSS BEFORE TAXATION	8	(4,795)	(3,591)
Taxation	9(a)	<u>(417)</u>	<u>(3,804)</u>
LOSS OF THE YEAR		<u>(5,212)</u>	<u>(7,395)</u>

* For identification purposes only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME*(Continued)**For the year ended 31 March 2015*

	<i>Note</i>	2015 HK\$'000	2014 HK\$'000 (restated)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified subsequently to profit or loss:			
— Translation differences		(33)	1,513
— Change in fair value of available-for-sale financial assets		76	(819)
Other comprehensive income for the year		43	694
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(5,169)	(6,701)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(5,212)	(7,395)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(5,169)	(6,701)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (HK cents)	<i>11</i>	(0.26)	(0.91)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		60	26
Investment properties	<i>12</i>	39,468	37,800
Available-for-sale financial assets	<i>13</i>	2,131	2,082
		<hr/> 41,659 <hr/>	<hr/> 39,908 <hr/>
CURRENT ASSETS			
Held-for-trading investments	<i>14</i>	70,384	—
Held-to-maturity investments		—	780
Trade and other receivables	<i>15</i>	108,414	3,549
Cash and cash equivalents		131,695	27,151
		<hr/> 310,493 <hr/>	<hr/> 31,480 <hr/>
CURRENT LIABILITIES			
Trade and other payables	<i>16</i>	1,222	1,859
Tax payable		165	165
Convertible bond	<i>17</i>	—	2,040
		<hr/> 1,387 <hr/>	<hr/> 4,064 <hr/>
NET CURRENT ASSETS		<hr/> 309,106 <hr/>	<hr/> 27,416 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 350,765 <hr/>	<hr/> 67,324 <hr/>
NON-CURRENT LIABILITY			
Convertible bond	<i>17</i>	—	63,312
Deferred tax liability	<i>18</i>	4,251	3,834
		<hr/> 4,251 <hr/>	<hr/> 67,146 <hr/>
NET ASSETS		<hr/> 346,514 <hr/>	<hr/> 178 <hr/>
EQUITY			
Equity attributable to owners of the Company:			
Share capital		370,960	36,496
Reserves		(24,446)	(36,318)
TOTAL EQUITY		<hr/> 346,514 <hr/>	<hr/> 178 <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS(s)”), which in collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKAS(s)”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622) (the “Companies Ordinance”), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to the Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The HKICPA has issued certain amendments and interpretations which are or have become effective. It also issued certain new and revised standards, amendments and interpretation (“New HKFRSs”), which are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate (e.g. Renminbi (“RMB”)). All values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for the first time, the following New HKFRSs issued by the HKICPA, which are effective for the Group’s financial period beginning 1 April 2014. A summary of the New HKFRSs is set out below:

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

The application of these New HKFRSs has not had any material impact on the amounts reported for the current period and prior years but may affect the accounting for future transactions or arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

New HKFRSs in issue but not yet effective

The Group has not early applied the following New HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle ²
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle ¹
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle ⁴
HKFRS 9	Financial Instruments ⁶
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception ⁴
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations ⁴
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁵
HKAS 1 (Amendments)	Disclosure Initiative ⁴
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ⁴
HKAS 19 (2011) (Amendments)	Defined Benefits Plans: Employee Contributions ¹
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements ⁴

¹ Effective for annual periods beginning on or after 1 July 2014

² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

³ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

⁴ Effective for annual periods beginning on or after 1 January 2016

⁵ Effective for annual periods beginning on or after 1 January 2017

⁶ Effective for annual periods beginning on or after 1 January 2018

3. PRIOR YEARS ADJUSTMENTS

As disclosed in Note 13, equity instruments listed in Hong Kong of approximately HK\$1,947,000 (2014: HK\$1,898,000) has been recognised as available-for-sale (“AFS”) financial assets. The changes in fair value of such equity instruments have been recognised as AFS financial assets revaluation reserve as included in the consolidated statement of changes in equity. It has come to the attention of the Directors that no impairment was made for the listed equity instruments since its acquisition. The Directors have reassessed and notified a significant and prolonged decline in the fair value of the listed equity investments below its initial cost in the prior years. Therefore, it was considered that the listed equity instruments should be impaired and recorded in the consolidated statement of profit or loss and other comprehensive income in accordance to HKAS 39 *Financial Instruments: Recognition and Measurement*.

The following tables disclose the prior years adjustments that have been made in order to reflect the adjustments stated to each of the line items in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity as previously reported for the year ended 31 March 2014, and the consolidated statement of changes in equity at 1 April 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

3. PRIOR YEARS ADJUSTMENTS (Continued)

The Group

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended
2014
HK'000

LOSS FOR THE YEAR

Decrease in other gains and losses	405
Increase in loss for the year	405

OTHER COMPREHENSIVE INCOME

Increase in fair value of AFS financial assets	405
Increase in other comprehensive income for the year	405

LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

Increase in loss for the year attributable to owners of the Company	405
Increase in loss per share attributable to owners of the Company Basic and diluted (HK cents)	0.05

Consolidated Statement of Changes in Equity

	As at 1 April 2013 HK\$'000 (Originally stated)	Adjustment HK\$'000	As at 1 April 2013 HK\$'000 (restated)	As at 31 March 2014 HK\$'000 (Originally stated)	Adjustment HK\$'000	As at 31 March 2014 HK\$'000 (restated)
AFS financial assets revaluation reserve	(2,917)	3,765	848	(4,141)	4,170	29
Accumulated losses	(195,033)	(3,765)	(198,798)	(201,943)	(4,170)	(206,113)
Total equity attributable to owners of the Company	<u>2,663</u>		<u>2,663</u>	<u>178</u>		<u>178</u>

The amendment in AFS financial assets revaluation reserve would have no effect on the information in the consolidated statement of financial position at the beginning and the end of the preceding period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

4. TURNOVER

The Group's turnover consists of sales of properties held for sale and rental income of investment properties, which are set out below:

	2015 HK\$'000	2014 HK\$'000
Sales of properties held for sale	—	401
Rental income of investment properties (<i>Note</i>)	455	416
Total	<u>455</u>	<u>817</u>

Note:

The Group reclassified the properties held for sale to investment properties during the year ended 31 March 2014. Rental income of approximately HK\$455,000 and HK\$416,000 respectively was generated from investment properties for the years ended 31 March 2015 and 2014.

5. OTHER REVENUE

	2015 HK\$'000	2014 HK\$'000
Interest income on bank deposits	649	682
Interest income on held-to-maturity investments	43	39
Dividend income from AFS financial assets	30	111
Management fee income	75	63
Sundry income	101	15
Total	<u>898</u>	<u>910</u>

6. OTHER GAINS AND LOSSES

	2015 HK\$'000	2014 HK\$'000 (restated)
Exchange (losses)/gains	(52)	86
Gain on fair value change of investment properties (<i>Note 12</i>)	1,668	15,215
Loss on disposal of held-for-trading investments	(207)	—
Reversal of impairment loss on trade receivables	92	158
Impairment loss on AFS financial assets (<i>Note 13</i>)	(27)	(405)
Gain on fair value change of held-for-trading investments	10,587	—
Total	<u>12,061</u>	<u>15,054</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

7. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest expenses on convertible bond	2,254	3,209
Others	—	5
	<u>2,254</u>	<u>3,214</u>

8. LOSS BEFORE TAXATION

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before taxation has been arrived after charging:		
Auditors' remuneration	330	275
Cost of properties sold	—	500
Depreciation of property, plant and equipment	2	13
Operating lease payments	4,133	5,067
Directors' and chief executive's emoluments	3,820	4,196
Total staff costs, excluding directors' emoluments		
— Salaries and allowance	3,012	3,860
— Retirement benefits scheme contributions	108	132
	<u>108</u>	<u>132</u>

9. TAXATION

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Deferred tax liability (<i>Note 18</i>)	417	3,804
	<u>417</u>	<u>3,804</u>

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made as the Group had no chargeable profit for the years ended 31 March 2015 and 2014.

Taxation on profits derived in the People's Republic of China ("PRC") for subsidiaries has been calculated at the rate of tax prevailing in the PRC, Enterprise Income Tax rate, at 25% (2014: 25%), which is based on existing legislation, interpretations and practices in respect thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

9. TAXATION (Continued)

- (b) Reconciliation between tax expenses and loss before taxation of the Group at the applicable tax rates are as follows:

	2015 HK\$'000	2014 HK\$'000 (restated)
Loss before taxation	(4,795)	(3,591)
Tax calculated at the applicable tax rates	(684)	685
Tax effect of non-deductible expenses	677	260
Tax effect of non-taxable income	(1,943)	(40)
Tax loss not recognised	2,367	2,899
Total tax expenses	<u>417</u>	<u>3,804</u>

- (c) At the end of the reporting period, the Group has unused tax losses of approximately HK\$37,489,000 (2014: HK\$37,732,000) that are available for offsetting against future taxable profits. These tax losses have no expiry dates expect for the tax losses of approximately HK\$1,261,000 (2014: HK\$1,505,000) which will expire at various dates up to and including year of 2020 (2014: year of 2019). Deferred tax asset arising from the unused tax losses has not been recognised in the consolidated financial statements as, in the opinion of the Directors, it is not probable to determine whether sufficient future profits will be available to utilise the tax losses.

10. DIVIDEND

The Directors do not recommend the payment of dividend in respect of both years ended 31 March 2015 and 2014.

11. LOSS PER SHARE

The weighted average of approximately 2,032,365,000 (2014: 816,710,000 (restated)) ordinary shares for the purpose of calculating basic loss per share of approximately HK\$5,212,000 for the year ended 31 March 2015 (2014: HK\$7,395,000 (restated)) have been adjusted for the effect of rights issue completed on 30 October 2014. The rights issue has been reflected retrospectively by restating the opening number of ordinary shares at 1 April 2013.

No diluted loss per share has been presented as conversion and exercise of the convertible bond would result in a decrease in loss per share for the years ended 31 March 2015 and 2014. The Company had no potential dilutive ordinary shares that were outstanding for the years ended 31 March 2015 and 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

12. INVESTMENT PROPERTIES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At 1 April	37,800	—
Reclassification from properties held for sale	—	21,922
Gain on fair value change of investment properties (<i>Note 6</i>)	1,668	15,215
Exchange difference	—	663
	<u>39,468</u>	<u>37,800</u>

The Group reclassified the properties held for sale to investment properties during the year ended 31 March 2014. At the end of the reporting period, the Group measured its investment properties at fair value. The fair value of the Group's investment properties as at 31 March 2015 has been determined on the basis of valuation carried out by Grant Sherman Appraisal Limited (2014: Savills Valuation and Professional Services Limited), an independent firm of professional valuer, by using an income capitalisation approach. The changes in fair values were included in the consolidated statement of profit or loss and other comprehensive income.

Investment properties are situated in the PRC for rental purpose under medium term leases.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 <i>HK\$'000</i>	2014 <i>HK'000</i>
Listed equity investments in Hong Kong, at fair value (<i>Note (i)</i>)	1,947	1,898
Unlisted equity investments, at cost (<i>Note (ii)</i>)	184	184
Analysed for reporting purposes as:		
Non-current assets	<u>2,131</u>	<u>2,082</u>

All AFS financial assets are held with the intention for a continuing strategic or long-term purpose.

Notes:

- (i) The fair value of the Group's listed equity investments are based on quoted market price. The Directors assessed and considered that prolonged decline in the fair value below initial cost occurred in one of the listed equity instruments. An impairment loss of HK\$27,000 (2014: HK\$405,000 (restated)) has been recognised in the consolidated statement of profit or loss and other comprehensive income as disclosed in Note 6.
- (ii) Unlisted equity investments are measured at cost less impairment for both years ended 31 March 2015 and 2014 since there was no quoted market price in an active market for the shares and the Directors were of the opinion that their fair values cannot be reliably measured. The Directors conduct a regular review on the performance of the investee companies and considered that no further adjustment will be needed on the provision amount of impairment loss of approximately HK\$1,766,000 that has been recognised since 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

14. HELD-FOR-TRADING INVESTMENTS

	2015 <i>HK\$'000</i>	2014 <i>HK'000</i>
Held-for-trading:		
Equity securities, at fair value		
— listed in Hong Kong	<u>70,384</u>	<u>—</u>

15. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	984	1,076
Less: Provision for impairment	<u>(984)</u>	<u>(1,076)</u>
Trade receivables, net of provision	—	—
Deposits and other receivables	107,267	3,104
Prepayments	<u>1,147</u>	<u>445</u>
	<u>108,414</u>	<u>3,549</u>

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

16. TRADE AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK'000</i>
Trade payables	334	334
Other payables and accruals	<u>888</u>	<u>1,525</u>
	<u>1,222</u>	<u>1,859</u>

The average credit period on trade payables is over 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. All trade payables of the Group were aged over twelve months based on the invoice issue date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

17. 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:

	2015 <i>HK\$'000</i>	2014 <i>HK'000</i>
Nominal value of the convertible bond	68,000	68,000
Equity component	<u>(5,888)</u>	<u>(5,888)</u>
Liability component		
— Liability component	62,112	62,112
— Interest expenses	4,086	3,240
Conversion of convertible bond	<u>(66,198)</u>	<u>—</u>
Total liability component	<u>—</u>	<u>65,352</u>
Analysis into		
— Current liabilities	—	2,040
— Non-current liabilities	—	<u>63,312</u>
	<u>—</u>	<u>65,352</u>

18. DEFERRED TAX LIABILITY

Deferred tax liability is recognised for the temporary difference on recognition of fair value gain of investment properties. The movement on the deferred tax liability is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK'000</i>
At 1 April	3,834	—
Charge of the year	417	3,804
Exchange difference	<u>—</u>	<u>30</u>
At 31 March	<u>4,251</u>	<u>3,834</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

19. SEGMENT INFORMATION

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

During the years ended 31 March 2015 and 2014, the Group mainly operated in the PRC and the Group's turnover are derived from the PRC and most of the assets of the Group are located in the PRC as at 31 March 2015 and 2014. No analysis of the Group's result by geographical area is disclosed.

At the end of the reporting period, non-current assets included property, plant and equipment and investment properties with carrying amount of approximately HK\$39,500,000 (2014: HK\$37,826,000) located in the PRC.

20. COMPARATIVE FIGURES

As a result of the correction of prior years' errors, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2015. Further details of these corrections are disclosed in Note 3. Furthermore, certain comparative figures have been reclassified to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

The principal business of the Company is investment holding and the Group's business operations were principally related to property development and investment. It is the Group's ongoing plan to continue to leverage its resources in exploring opportunities in the property development and investment business. However, should there be any other potential investments in other areas that could potentially enhance the financial and operating performance of the Group and are in the interests of the Company and the Shareholders as a whole, they will also be considered.

At 31 March 2015, there was a gross floor area of approximately 7,845 square metres (2014: 7,845 square metres) of commercial properties held by the Group in Zouping, Shandong, People's Republic of China (the "PRC"). Rental income of approximately HK\$455,000 (2014: HK\$416,000) was generated from leasing out part of the commercial properties concerned. No property sales was recorded attributable to the aforementioned properties during the year (2014: approximately HK\$401,000).

As disclosed in the Company's announcement dated 26 February 2014, 23 May 2014, 22 August 2014, 25 November 2014 and 30 December 2014 in relation to the Framework agreement entered into by the Company and the Vendor in relation to the Proposed Acquisition of certain properties in Shenzhen, earnest money of HK\$72 million was paid during the year. The payment was a step to strengthen the Groups' position in the negotiation process. No formal agreement had been signed after the expiry of the exclusivity period since under the leadership of the new Board, the Group is accessing other investment opportunities offering a higher return and better suits the Group's long term strategic development. The earnest money shall be refunded to the Company pursuant to the framework agreement and it is expected that such monies will be refunded to the Company as soon as practicable and in any event no later than 31 August 2015.

On 24 December, 2014, the Company entered into a non-legally binding framework agreement relating to a proposed acquisition of the entire equity interest of Jinhong Property Development Limited ("Jinhong"). Earnest money of HK\$ 28 million was paid relating to the proposed acquisition. Jinhong is principally engaged in the business of development and management of a property development project situated in Shanghai City, the PRC. It is believed that the proposed acquisition, if materialized, will generate steady income for the Group's continuous development. The negotiation is still in progress and no formal agreement has been entered into up to date of this report.

As disclosed in the Company's announcement dated 2 March 2015, 9 March 2015 and Circular dated 30 April 2015, on 9 February 2015, the China Minsheng Jiaye Investment Co., Ltd ("CMJY") and the Company entered into the Share Subscription Agreement pursuant to which the CMJY has conditionally agreed to subscribe for and the Company has conditionally agreed to issue and allot, on the Share Subscription Completion Date, 6,500 million new Shares which has been determined by dividing HK\$1,300 million by HK\$0.20 each per Subscription Share. The Company also entered into the Convertible Bonds Subscription Agreement with Honghu Capital Company Limited ("Honghu Capital") on the same date pursuant to which the Company has conditionally agreed to issue, and Honghu Capital has conditionally agreed to subscribe for, the Convertible Bonds (the "CB") in an aggregate principal amount of HK\$200 million. The Company plans to utilize part of the net proceeds to be raised from the Share Subscription and CB subscription to make further investments in property projects, including projects that could facilitate its development in the property development and investment sector in various regions in the PRC. The Share Subscription Agreement and CB subscription agreement had been approved by shareholders on 18 May 2015 and completion took place at 27 May 2015. On completion date, 6,500 million subscription shares had successfully been issued and allotted to Jiayao Global Investments Limited, a wholly owned subsidiary of CMJY and principal amount of HK\$ 200 million CB had been issued to Honghu Capital.

FINANCIAL REVIEW

For the year ended 31 March 2015, the Group recorded a turnover of approximately HK\$455,000 generated from properties rental (2014: HK\$401,000 represented turnover from property sales and HK\$416,000 represented turnover from properties rental).

The loss attributable to the owners of the Company for the year ended 31 March 2015 amounted to approximately HK\$5,212,000 (2014: HK\$7,395,000 (restated)) and loss per share was approximately HK0.26 cents (2014: HK0.91 cents (restated)).

At 31 March 2015, the total assets and net assets of the Group were approximately of HK\$352,152,000 (2014: HK\$71,388,000) and HK\$346,514,000 (2014: HK\$178,000) respectively.

The significant improvement of financial position of the Company was mainly attributed to the rights issue of 2,919,647,040 shares at the subscription price of HK\$0.1 each during the year. With the net proceeds of approximately of HK\$285,307,000 raised from the rights issue, the Company is able to continue its negotiations on the terms and conditions in relation to any proposed acquisitions and potential investment opportunities.

CAPITAL STRUCTURE

During the year under review, rights issue of 2,919,647,040 shares of the Company at the subscription price of HK\$0.1 each have been issued and allotted. The net proceeds obtained by the Company from the rights issue amounted to approximately HK\$285,307,000.

The proceeds from this rights issue were used for investment opportunities identified, business development and general working capital of the Group.

On 12 December 2014, the Company received a notice from the registered holder of the Convertible Bond (the “Bondholder”) for exercising the conversion rights attaching to the Convertible Bond (“Convertible Bond”) to convert the outstanding principal amount of HK\$ 68,000,000 in full into 425,000,000 Shares at the conversion price of HK\$0.16 per Share. The Convertible Bond is beneficially owned by Viva Shine Limited, a company owned as to 50% by Mr. Yu Shengming (Mr. Yu Shengming was the former executive director of the Company and Chairman of the Board resigned on 2 February 2015) and 50% by Mr. Wang Guoli. The Company allotted and issued a total of 425,000,000 Shares (“Conversion Shares”) to the Bondholder.

At 31 March 2015, the Company’s issued share capital was HK\$370,960,000 (2014: HK\$36,496,000) with 3,709,602,920 (2014: 364,955,880) Shares in issue.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2015, the Group had cash and bank balances amounted to approximately HK\$131,695,000 (2014: HK\$27,151,000).

Due to the conversion of Convertible Bonds under section headed “Capital Structure” above, the Group’s had no borrowings (2014: approximately HK\$65,352,000) as at 31 March 2015 and gearing ratio was no longer applicable as at 31 March 2015 (2014: 92%), resulted from a comparison of the Group’s total borrowings with the total assets.

SEGMENT

Details of segment information of the Group for the year ended 31 March 2015 are set out in Note 19 to the consolidated financial statements.

SUBSEQUENT EVENTS

Upon the successful granting of approval by the Shareholders at 18 May 2015, completion of Share Subscription Agreement and CB subscription agreement took place at 27 May 2015. On completion date, 6,500 million subscription shares had successfully been issued and allotted to Jiayao Global Investments Limited, a wholly owned subsidiary of CMJY and principal amount of HK\$ 200 million CB had been issued to Honghu Capital. The authorized share capital of the Company increased from HK\$ 400 million to HK\$ 2,500 million (divided into 4,000 million shares of par value HK\$ 0.1 each to 25,000 million shares), details can be referred the poll result announcement dated 18 May 2015.

On 23 April 2015, the Company entered into the Note Subscription Agreement with Mingzhu Construction Engineering Group (Hong Kong) Limited, as the Issuer, and Mingzhu Construction Engineering Co., Ltd., as the Guarantor, pursuant to which, the Company conditionally agreed to subscribe for the Note in the principal amount of HK\$250,000,000 with a coupon rate of 4.80% per annum. The Note Subscription was approved by the Company's shareholders on 18 May 2015. Completion of the Note Subscription shall conditional upon the satisfaction of certain conditions and is currently expected to take place no later than 31 August 2015, details can be referred the announcement dated 23 April 2015.

On 28 April 2015, Benelux Property Development (Shanghai) Limited ("Benelux"), a subsidiary of the Company, together with China Minsheng Zhuyou Co. Ltd., a subsidiary of CMJY, entered into a memorandum of understanding with Shanghai Zhao Nian Heavy Machinery Co. Ltd. in relation to the proposed acquisition of certain assets in Shanghai. The total consideration for the proposed acquisition will be RMB 82 million, details can be referred the announcement dated 28 April 2015.

On 13 May 2015, the Company, together with China Minsheng Zhuyou Co. Ltd., a subsidiary of CMJY, entered into a memorandum of understanding with Shenzhen Superwatt Power Technology Co., Ltd. in relation to the proposed acquisition entire equity interest in Huizhou City Superwatt Power Technology Co., Ltd. The total consideration for the proposed acquisition will be RMB 72 million, details can be referred the announcement dated 13 May 2015.

The financial year end date of the Company has been changed from 31 March to 31 December commencing from the financial period ending on 31 December 2015. For reasons of the change, please refer to the announcement of the Company dated 22 May 2015.

On May 2015, unlisted equity investment of approximately HK\$183,000 was redeemed by its issuer at the price of USD203,000 (equivalent to approximately HK\$1,588,000), disposal gain of approximately HK\$1,405,000 was recorded subsequent to the year ended 31 March 2015.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed in the paragraph under the section headed “Business Review and Prospects” above, the Group did not make any material acquisition and disposal of subsidiaries and associated companies during the year ended 2015.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

With the completion of the Share Subscription and CB Subscription, the Company will prioritize its investment in the extended real estate sector including businesses that are upstream and downstream relative to property development. In the next three to five years, with the support from the CMJY and China Minsheng Investment Corp., Ltd. (“China Minsheng Investment”), which holds 90% of the total share capital of CMJY, it is the intention of the Company to strive to achieve a robust market position in the upstream property development industry and to explore market opportunities in such industry.

To achieve this strategy, the Company has formed the strategic cooperation with a leading PRC construction company, which has sound and proven business record in the relevant industry. Details of such cooperation are disclosed in the announcement dated 23 April 2015 of the Company. It is expected that the combination of the business resources of the CMJY and the production capability of this construction company will greatly help the Company builds up its business capacity and the Company intends to utilise the proceeds from the Share Subscription and the CB Subscription to make investments in various business opportunities in order to establish an all-round platform of business and capital operation in the upstream property development sector.

In the coming years, the Company expects to set up a strong team of professionals to drive the above strategy of the Company and it is currently identifying candidates who have solid skills and extensive experience in the relevant industry. The Company is also considering the acquisition of an A level design institute and a top-grade construction company and the establishment of three large-scale production facilities in Hunan Province, Shanghai Municipal City and Guangdong Province, respectively. In recent years, the local government in Hunan Province has promulgated a few preferential policies to support the upstream property development sector (in particular, the production of pre-cast units and materials). Likewise, the Shanghai Municipal Government published its three-year action plan in 2014 in relation to the development of environmental friendly construction industry, pursuant to which all the new civil projects outside of the Outer Ring Road must be constructed by way of assembling pre-cast units and materials. The future development of construction industry in Guangdong Province is prosperous considering the large volume of real property projects in the long-term development plan published by the local government and the large-scale real property developers based in the region.

Apart from the commercial real property development projects as mentioned above, the Company is also considering to undertake projects in relation to the construction of government sponsored housings and reconstruction after serious natural disaster in the PRC to fulfil its corporate social responsibilities. There are a few potential client opportunities which include a real property developer in Hunan Province in respect of a project for government sponsored housing and a leading international real property developer in respect of a project in Malaysia.

The Company believes that investments in the upstream property development sector would provide more value-adding services and products by expanding the Company's business to the upstream of the supply chain of the real property development industry. Such upstream property development industry is the most effective way to solve the existing problems in the traditional construction industry (being high consumption, severe contamination and inefficiency) and is the best way to upgrade the traditional construction technology. It is also in line with the national development strategy of the PRC and intrinsic demand of city development in an environmental friendly way. In addition, the market access threshold of such industry is relatively high and our competitors will be limited in numbers. Given that such industry is still in the preliminary stage in its life cycle, none of the current market pioneers has obtained a predominant market position. As such, with the support from the CMJY in terms of its industry expertise and experience and extensive network resources, it would place the Company in a position to seize market opportunities effectively.

CHANGES OF COMPOSITION OF THE BOARD

During the year ended 31 March 2015, the Company has the following changes in the composition of its Board:

On 5 December 2014, The Board underwent the following restructuring:

Appointment of Directors:

Mr. Yeung Chun Wai Anthony has been appointed as an executive Director, the deputy chairman of the Board, a member of each of the Nomination Committee and the Remuneration Committee, the chief executive officer and an Authorized Representative of the Company; and

Mr. Chen Domingo has been appointed as an executive Director.

Resignation of Committee Member and deputy Chairman:

Mr. Mock Wai Yin has resigned as the deputy chairman of the Board, a member of each of the Nomination Committee and the Remuneration Committee, and the chief executive officer of the Company, but continues to serve as an executive Director and act as an Authorized Representative of the Company.

On 30 December 2014, The Board underwent the following restructuring:

Appointment of Directors:

Mr. Lee Chi Ming has been appointed as independent non-executive director, Member of the Audit Committee and Chairman of each Remuneration Committee and Nomination Committee of the Company; and

Mr. Chan Chi Hung, Anthony has been appointed as independent non-executive director and member of Audit Committee of the Company.

Resignation of Directors:

Mr. Ng Kwok Wai has resigned as independent non-executive director, Member of the Audit Committee and Chairman of each Remuneration Committee and Nomination Committee of the Company;

Mr. Ling Kit Wah, Joseph has resigned as independent non-executive director of the Company; and

Mr. Chen Xiaoping has resigned as non-executive director of the Company and member of Audit Committee of the Company.

On 2 February 2015, the Board underwent the following restructuring:

Appointment of Director:

Mr. Jiang Hongqing has been appointed as independent non-executive director, Chairman of the Audit Committee and Member of each Remuneration Committee and Nomination Committee of the Company.

Re-designation of Directors:

Mr. Yeung Chun Wai Anthony has been re-designated from the deputy Chairman to the Chairman of the Board; and

Mr. Chen Domingo has been appointed as the deputy Chairman of the Board.

Resignation of Directors:

Mr. Mock Wai Yin has resigned as executive Director of the Company;

Mr. Yu Shengming has resigned as Chairman of the Board, executive Director of the Company; and

Mr. Lee Chi Hwa, Joshua has resigned as independent non-executive director, Chairman of the Audit Committee and Member of each Remuneration Committee and Nomination Committee of the Company.

EMPLOYEE INFORMATION

At 31 March 2015, the Group had a total of 14 (2014: 14) employees (excluding directors of the Company), 8 (2014: 8) employees worked in the PRC and 6 (2014: 6) worked in Hong Kong.

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 31 March 2015, the Group had no assets pledged to banks to secure general banking facilities and bank loan granted to the Group (2014: Nil).

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

At 31 March 2015, the Group had no outstanding capital commitments (2014: Nil) and no material contingent liabilities (2014: Nil).

LITIGATION

At 31 March 2015, the Group had not involved in any material litigation.

PURCHASE, SALE OR REDEMPTION OF OWN SHARES

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

CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the applicable code provisions (the "Code Provision(s)") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2015 except the following:

Under Code Provision A.1.1, board meetings should be held at least four times a year at approximately quarterly intervals. The Board aims to meet regularly in person or through electronic means of communication at least four times a year. However, for the sake of flexibility, the Board may also hold meetings with less than 14 days' notice as required for regular meetings under Code Provision A.1.3, it may also pass resolutions by circulation of documents if considered appropriate. The Company will keep reviewing the above situation and make appropriate changes to improve the corporate governance practices of the Company if considered necessary.

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 Xiaoping, a former non-executive Director resigned on 30 December 2014, could not attend the annual general meeting of the Company held at 7 August 2014 because of other business commitments. Aiming for compliance with this Code Provision, the Company will continue to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a cautious way to enable all Directors to attend the general meetings as far as possible.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing. During the year ended 31 March 2015, Mr. Yeung Chun Wai Anthony held the offices of chairman and CEO of the Company. The Board believes that vesting the roles of both chairman and CEO in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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. The Company has made specific enquiry to all Directors that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2015.

AUDIT COMMITTEE

The Company has set up an audit committee (the “Audit Committee”) with specific written terms of reference which clearly deal with its authorities and duties. The Audit Committee currently comprises all independent non-executive Directors. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and has discussed the auditing, internal control and financial reporting matters, including a review of the annual results and the consolidated financial statements for the year ended 31 March 2015.

EXTRACT OF THE INDEPENDENT AUDITOR’S REPORT

The auditor expresses an unqualified opinion in the auditor’s report, but wishes to draw attention to the readers of the financial statements by adding an emphasis of matter paragraph as follows:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2015, and of the Group’s loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 4 to the consolidated financial statements which states that the Company has made various prior years’ adjustments to restate the consolidated and the Company’s financial statements for the year ended 31 March 2014, including certain opening balances as at 1 April 2013.

PUBLICATION OF FINANCIAL INFORMATION ON THE STOCK EXCHANGE’S WEBSITE

The Company’s annual report for the year ended 31 March 2015 containing all applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the Stock Exchange’s website (<http://www.hkexnews.hk>) and on the Company’s website (<http://southeastgroup.todayir.com>) in due course.

By order of the Board of
SOUTH EAST GROUP LIMITED
Yeung Chun Wai Anthony
Chairman and Executive Director

Hong Kong, 18 June 2015

As at the date of this announcement, the Board comprises Mr. Yeung Chun Wai Anthony (Chairman), Mr. Chen Domingo (Deputy Chairman) and Mr. Chan Chi Yuen as executive directors; Mr. Lee Chi Ming, Mr. Chan Chi Hung, Anthony and Mr. Jiang Hongqing as independent non-executive directors.