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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 2009

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 2009 with comparative figures for the previous corresponding year as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2009

	NOTE	**2009** *HK$'000*	2008 *HK$'000*
CONTINUING OPERATIONS			
TURNOVER	*4*	**5,021**	5,010
COST OF INVENTORIES SOLD		**(4,405)**	(3,543)
GROSS PROFIT		**616**	1,467
OTHER REVENUES	*4*	**1,281**	6,544
SELLING AND DISTRIBUTION COSTS		**(52)**	(673)
ADMINISTRATIVE EXPENSES		**(14,844)**	(15,130)
LOSS FROM OPERATIONS		**(12,999)**	(7,792)
FINANCE COSTS	*7*	**(2,668)**	1,092
LOSS BEFORE TAXATION	*5*	**(15,667)**	(6,700)
TAXATION	*8*	**(1,264)**	(418)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(16,931)**	(7,118)
(LOSS)/PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS	*9*	**(945)**	2,063
LOSS FOR THE YEAR		**(17,876)**	(5,055)

* *For identification purposes only*

CONSOLIDATED INCOME STATEMENT *(Continued)*
FOR THE YEAR ENDED 31 MARCH 2009

	NOTE	**2009** **HK$'000**	2008 HK$'000
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		**(17,876)**	(5,055)
MINORITY INTERESTS		**—**	—
		(17,876)	(5,055)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
From continuing operations:			
Basic and diluted (cents)	*10*	**(4.96)**	(2.11)
From discontinued operations:			
Basic (cents)	*10*	**(0.28)**	0.61
Diluted (cents)	*10*	**N/A**	0.60

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2009

	NOTE	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,307**	10,233
Interest in leasehold land held for own use		**—**	2,459
Available-for-sale investments		**2,457**	184
		3,764	12,876
CURRENT ASSETS			
Held-to-maturity investments		**780**	780
Properties held for sale		**22,320**	25,768
Inventories		**226**	2,271
Trade and other receivables	*12*	**2,635**	2,867
Tax refundable		**192**	611
Cash and cash equivalents		**96,148**	46,992
		122,301	79,289
Assets held for sale	*13*	**12,774**	550
		135,075	79,839
CURRENT LIABILITIES			
Trade and other payables	*14*	**5,129**	18,441
Bank loans and borrowings		**—**	5,225
Convertible bond		**1,695**	—
		6,824	23,666
Liabilities directly associated with the assets held for sale	*13*	**14,725**	—
		21,549	23,666
NET CURRENT ASSETS		**113,526**	56,173
TOTAL ASSETS LESS CURRENT LIABILITIES		**117,290**	69,049
NON-CURRENT LIABILITIES			
Convertible bond		**62,806**	—
NET ASSETS		**54,484**	69,049
EQUITY			
Equity attributable to equity holders of the Company:			
Share capital		**34,102**	34,102
Reserves		**20,382**	34,947
TOTAL EQUITY		**54,484**	69,049

1. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("the HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments and derivatives which are carried at their fair values. Non-current assets held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 13 below.

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting year of the Group. Note 2 below provides information on any changes in accounting policies resulting from 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 financial statements.

2. IMPACT OF THE ADOPTION OF NEW AND REVISED HONG KONG REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements.

HKAS 39 & HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and measurement* and HKFRS 7 *Financial Instruments: Disclosures — Reclassification of Financial Assets*

The adoption of these new interpretations and amendments has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective in these financial statements.

HKFRSs (Amendments)	Improvements to HKFRSs[3]
HKFRS 1 and HKAS 27 (Amendments)	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and Amendments to HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 2 (Amendments)	Amendments to *Share-based Payment — Vesting Conditions and Cancellations*[1]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[2]

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 July 2009

3 Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position. The Group will apply HKAS 27 (revised) and HKFRS 3 (Revised) prospectively to transactions with non-controlling interest and all business combinations from 1 April 2010 respectively.

4. TURNOVER AND OTHER REVENUES

	2009	2008
	HK$'000	*HK$'000*
TURNOVER		
Continuing operations:		
— Sales of data storage media products	**—**	1,118
— Sales of property held for sale	**4,799**	3,495
— Sales of wine	**222**	397
	5,021	5,010
Discontinued operations:		
— Sales of wine	**3,254**	2,206
Total turnover	**8,275**	7,216

4. TURNOVER AND OTHER REVENUES *(Continued)*

	2009	2008
	HK$'000	*HK$'000*
OTHER REVENUES		
Continuing operations:		
— Interest income	**870**	220
— Disposal of interests in joint venture	**—**	2,476
— Disposal of property, plant and equipment	**—**	(36)
— Gain on disposal of available-for-sale investments	**19**	—
— Sundry income	**392**	3,884
	1,281	6,544
Discontinued operations:		
— Sundry income	**—**	103
— Interest income	**—**	1
Total other revenues	**1,281**	6,648
Total turnover and other revenues	**9,556**	13,864

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging and (crediting):—

	2009	2008
	HK$'000	*HK$'000*
Auditors' remuneration		
— Current year	**200**	226
— Under-provision for prior year	**21**	2
	221	228
Allowance for doubtful debts	**455**	—
Cost of inventories sold	**4,405**	5,605
Depreciation	**372**	1,534
Net exchange gain	**(285)**	(1,042)
Operating lease payments	**2,367**	1,299
Employee benefits expenses		
(excluding directors' remuneration)		
— Salaries and allowance	**2,499**	4,699
— Retirement benefit schemes contributions	**148**	177

6. SEGMENT INFORMATION

The business activities of the Group are categorised into the manufacturing and trading of data storage media products, property development and wine production. Segment information in respect of these activities is as follows:

RESULTS

By principal activities:

FOR THE YEAR ENDED 31 MARCH 2009

	Turnover			**Contribution to operating profit/(loss)**		
	Continuing operations *HK$'000*	**Discontinued operations** *HK$'000*	**Total** *HK$'000*	**Continuing operations** *HK$'000*	**Discontinued operations** *HK$'000*	**Total** *HK$'000*
Sales of data storage media product and related equipment	**—**	**—**	**—**	**112**	**—**	**112**
Sales of properties held for sale	**4,799**	**—**	**4,799**	**(291)**	**—**	**(291)**
Sales of wine	**222**	**3,254**	**3,476**	**(99)**	**(943)**	**(1,042)**
	5,021	**3,254**	**8,275**	**(278)**	**(943)**	**(1,221)**
Other expenses						**(12,721)**
						(13,942)

FOR THE YEAR ENDED 31 MARCH 2008

	Turnover			Contribution to operating profit/(loss)		
	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Total *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Total *HK$'000*
Sales of data storage media product and related equipment	1,118	—	1,118	(4,093)	—	(4,093)
Sales of properties held for sale	3,495	—	3,495	(6,706)	—	(6,706)
Sales of wine	397	2,206	2,603	(3,537)	2,064	(1,473)
	5,010	2,206	7,216	(14,336)	2,064	(12,272)
Other revenues						6,544
						(5,728)

6. SEGMENT INFORMATION *(Continued)*

By geographical markets:

FOR THE YEAR ENDED 31 MARCH 2009

	Turnover			Contribution to operating profit/(loss)		
	Continuing operations *HK$'000*	**Discontinued operations** *HK$'000*	**Total** *HK$'000*	**Continuing operations** *HK$'000*	**Discontinued operations** *HK$'000*	**Total** *HK$'000*
Hong Kong	**—**	**—**	**—**	**11**	**(93)**	**(82)**
The People's Republic of China	**5,021**	**3,254**	**8,275**	**(289)**	**(850)**	**(1,139)**
	5,021	**3,254**	**8,275**	**(278)**	**(943)**	**(1,221)**
Other expenses						**(12,721)**
						(13,942)

FOR THE YEAR ENDED 31 MARCH 2008

	Turnover			Contribution to operating profit/(loss)		
	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Total *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Total *HK$'000*
Hong Kong	—	—	—	(9,291)	(215)	(9,506)
The United States of America and Canada	676	—	676	(1,391)	—	(1,391)
The People's Republic of China	3,938	2,206	6,144	(2,840)	2,279	(561)
Others	396	—	396	(814)	—	(814)
	5,010	2,206	7,216	(14,336)	2,064	(12,272)
Other revenues						6,544
						(5,728)

6. SEGMENT INFORMATION *(Continued)*

FINANCIAL POSITION

	2009			2008		
	Continuing operations *HK$'000*	**Discontinued operations** *HK$'000*	**Total** *HK$'000*	Continuing operations *HK$'000*	Discontinued operations *HK$'000*	Total *HK$'000*
ASSETS						
Segment assets:						
Sales of data storage media product and related equipment	**495**	**—**	**495**	739	—	739
Sales of properties held for sale	**66,862**	**—**	**66,862**	71,041	—	71,041
Sales of wine	**128**	**12,774**	**12,902**	65	14,298	14,363
Unallocated corporate assets	**58,580**	**—**	**58,580**	6,572	—	6,572
	126,065	**12,774**	**138,839**	78,417	14,298	92,715
LIABILITIES						
Segment liabilities:						
Sales of data storage media product and related equipment	**282**	**—**	**282**	292	—	292
Sales of properties held for sale	**2,978**	**—**	**2,978**	6,857	—	6,857
Sales of wine	**2**	**14,725**	**14,727**	105	15,076	15,181
Unallocated corporate liabilities	**66,368**	**—**	**66,368**	1,336	—	1,336
	69,630	**14,725**	**84,355**	8,590	15,076	23,666
NET ASSETS/(LIABILITIES)	**56,435**	**(1,951)**	**54,484**	69,827	(778)	69,049

The financial statements do not include any disclosures of the carrying amount of segment assets and liabilities analysed by geographical area.

7. FINANCE COSTS

	2009 *HK$'000*	2008 *HK$'000*
Continuing operations:		
Interest expenses on convertible bond	**2,663**	—
Interest on bank overdraft and bank loan repayable within five year	**—**	58
Interest written back on other loan without fixed repayment terms	**—**	(1,150)
Others	**5**	—
	2,668	(1,092)
Discontinued operations:		
Interest on bank overdraft and bank loan repayable within five year	**—**	1
Others	**2**	—
	2,670	(1,091)

8. TAXATION

(a) Taxation in the consolidated income statement represents:—

	2009	2008
	HK$'000	*HK$'000*
PRC income tax		
— Provision for the year	**222**	418
— Under-provision for prior year	**1,042**	—
	1,264	418

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not derive any assessable profits in Hong Kong for the year (2008: Nil).

PRC income tax has been provided on the estimated taxable income at the applicable rate based on existing legislation, interpretations and practice in respect thereof.

(b) At 31 March 2009, the Group had no outstanding income tax payable (2008: Nil).

(c) Reconciliation between total expenses and loss before taxation of the Group at the applicable tax rates is as follows:

	2009	2008
	HK$'000	*HK$'000*
Loss before taxation	**(15,667)**	(6,700)
Tax calculated at the applicable tax rates	**(7,144)**	(264)
Tax effect of non-deduction expenses	**—**	121
Tax effect of non-taxable income	**(4)**	(681)
Tax loss not recognised	**8,341**	1,829
Tax effect on utilisation of tax losses not previously recognised	**71**	(587)
Total tax expenses	**1,264**	418

(d) No provision for deferred taxation has been accounted for as the Group has net deferred tax assets at the balance sheet date.

The Group has not recognised the tax losses as deferred tax assets due to the lack of certainty as to profitability.

The Group did not have any material unprovided deferred taxation as at 31 March 2009 (2008: Nil).

9. (LOSS)/PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS

On 26 March 2009, the Company entered into an agreement to sell its entire interests in South Perfect International Limited ("SPI"), a company which directly held 55% equity interest in Qingdao Fushiwang Grape Wine Co., Limited ("QFGW") (collectively "Disposal Group") for a cash consideration of HK$1,600,000. The principal activity of SPI Group was manufacturing and trading of wine products. Accordingly, the result pertaining to the manufacturing and trading of wine products were presented as discontinued operations in accordance with HKFRS 5 ("Non-current assets held for sale and discontinued operations").

On 13 May 2009, the Company completed the transaction and the result of the disposal will be recognised in the year ending 31 March 2010.

The consolidated operating results associated with the manufacturing and trading of wine product for the years ended 31 March 2009 and 31 March 2008 were presented below:

	2009	2008
	HK$'000	*HK$'000*
Turnover	**3,254**	2,206
Cost of inventories sold	**(3,100)**	(2,062)
Gross profit	**154**	144
Other revenues	**1**	104
Selling and distribution costs	**(756)**	(566)
Administrative expenses	**(342)**	2,382
(Loss)/profit from operations	**(943)**	2,064
Finance costs	**(2)**	(1)
(Loss)/profit before taxation	**(945)**	2,063
Taxation	**—**	—
(Loss)/profit for the year from discontinued operations	**(945)**	2,063

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the consolidated loss attributable to equity holders for the year of approximately HK$17,876,000 (2008: loss of approximately HK$5,055,000) which comprised the loss from continuing operations of HK$16,931,000 (2008: loss of HK$7,118,000) and the loss from discontinued operations of approximately HK$945,000 (2008: earnings of approximately HK$2,063,000) and on the weighted average of 341,020,880 (2008: 338,109,215) shares in issue during the year. The weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation of discontinued operations is 413,811,620 (2008: 345,976,962). 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 the year. The Company had no potential dilutive ordinary shares that were outstanding for the years ended 31 March 2009 and 31 March 2008.

11. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 March 2009 (2008: Nil).

12. TRADE AND OTHER RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**2,413**	7,167
Less: allowance for impairment	**(297)**	(6,668)
	2,116	499
Other account receivables, deposits and prepayments	**519**	2,368
	2,635	2,867

The aging analysis of the trade receivables that were past due at the balance sheet date but not impaired were as follows:

	2009	2008
	HK$'000	*HK$'000*
Less than 31 days	**97**	75
31-90 days	**949**	226
Over 90 days	**1,070**	198
	2,116	499

13. ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE

According to note 9 above, the major classes of assets and liabilities classified as held for sale as at 31 March 2009 are as follows:

	2009
	HK$'000
ASSETS	
Property, plant and equipment	**8,958**
Interest in leasehold land and held for own use	**2,280**
Inventories	**881**
Trade and other receivables	**353**
Tax refundable	**249**
Cash and cash equivalents	**53**
Assets of discontinued operations classified as held for sale	**12,774**
LIABILITIES	
Trade and other payables	**9,357**
Bank loans and borrowings	**5,368**
Liabilities directly associated with the assets classified as held for sale	**14,725**
Net liabilities directly associated with discontinued operations	**(1,951)**

14. TRADE AND OTHER PAYABLES

	2009	2008
	HK$'000	*HK$'000*
Trade payables	**864**	1,732
Other account payables and accruals	**4,265**	16,709
	5,129	18,441

The aging analysis of the trade payables at the balance sheet date were as follows:

	2009	2008
	HK$'000	*HK$'000*
Less than 31 days	**—**	199
31-90 days	**—**	30
Over 90 days	**864**	1,503
	864	1,732

RESULTS

The Group recorded a total turnover of approximately HK$8,275,000 for the year ended 31 March 2009 (2008: approximately HK$7,216,000), representing an increase of approximately 15% over last year. Gross profit declined by approximately 52% to approximately HK$770,000 from approximately HK$1,611,000 of the previous year, which was mainly due to harsh market conditions. The Group's net loss attributable to shareholders was approximately HK$17,876,000 for the year ended 31 March 2009 (2008: loss of approximately HK$5,055,000). Factors attributing to the increase in loss of the year included absence of non-recurring gains amounted to approximately HK$5,257,000 from investing activities recorded in the last corresponding year and a one-off donation amounted to HK$2,000,000 for Sichuan earthquake in May 2008. Interest expenses accrued on the convertible bond of the Company amounted to approximately HK$2,663,000 based on fair market value method, which further increased the loss for the year.

BUSINESS REVIEW

The Group's turnover for the year ended 31 March 2009 was generated by property development and investment and the wine business.

During the year under review, the Group continued to market the remaining properties of the completed projects located respectively in Zouping, Shandong and Pudong, Shanghai, the People's Republic of China (the "PRC"). However, under the adverse impact of the recent global financial situation, sale of the properties held by the Group was slow. Sales of commercial properties and car park units during the year amounted to approximately HK$4,502,000 and HK$297,000 respectively. At 31 March 2009, approximately 8,137 square metres of the commercial properties in Zouping, representing about 49% of the total gross floor area remained unsold, while there were 31 unsold car park units. Revenue resulted from property sales for the year amounted to approximately HK$4,799,000 (2008: approximately HK$3,495,000) and the segment recorded a loss of approximately HK$291,000 (2008: loss of HK$6,706,000). Because of the slack market condition, the Group continued to lease out some of the unsold commercial properties to earn rental income. During the year, rental income of approximately HK$238,000 was recorded and was accounted for as other revenues.

As reported in the Group's interim report for the six months ended 30 September 2008, the Group contemplated to dispose of its wine business taking into account of its deteriorating financial position. This led up to the Group's decision to divest the wine business to preserve capital and management resources for investment opportunities with justifiable growth potential. In March 2009, the Company entered into an agreement for the disposal of its wholly owned subsidiary, South Perfect International Limited, the holding company of a group of companies which are principally engaged in the production and sale of wine products. As the disposal was completed in May 2009, which was after the financial year end of the Group, the results of the winery business were still incorporated into the Group's financial statements for the financial year under review. During the year, turnover from sales of wine products amounted to approximately HK$3,476,000 (2008: approximately HK$2,603,000) and the segment recorded a loss of approximately HK$1,042,000 (2008: loss of approximately HK$1,473,000). Sales and loss attributable to the disposal group accounted for approximately HK$3,254,000 and HK$943,000 respectively of this segment.

To redeploy resources for more efficient and effective utilization, the Group ceased operations of the data storage media products business. This business segment did not contribute to the Group's turnover during the financial year under review (2008: approximately HK$1,118,000).

BUSINESS REVIEW *(Continued)*

The PRC market remained as the primary geographical segment of the Group. Turnover from the PRC market accounted for all of the total turnover of the Group for the year ended 31 March 2009, as compared to approximately 85.1% for last year.

PROSPECTS

Following the Group's disposal of the wine business and the cessation of the data storage media products business during the year, property development and investment became the Group's only core business. The Company will actively look for investment opportunities in new businesses which could bring long term economic benefits to the Group and diversify its business scope.

LIQUIDITY AND FINANCIAL RESOURCES

The Group (including discontinued operations) recorded a net cash inflow of approximately HK$49,209,000 during the year. At 31 March 2009, cash and bank balances of the Group (including discontinued operations) amounted to approximately HK$96,201,000 (2008: approximately HK$46,992,000). At the balance sheet date, the Group's bank borrowings which are repayable within one year amounted to approximately HK$5,368,000 (2008: HK$5,225,000), and it had a Convertible Bond (as defined below) with carrying amount of approximately HK$64,501,000 (2008: nil). The bank borrowings were attributable to Qingdao Fushiwang Grape Wine Co. Ltd ("QFGW"), an indirect subsidiary of the Company under the wine products segment. Pursuant to the sale and purchase agreement dated 26 March 2009 (as detailed in the section of "Acquisition and Disposal of Subsidiaries and Associated Companies" below), the Company disposed of its wholly owned subsidiary, South Perfect International Limited ("SPI"), and hence its investment in QFGW. Completion of the above sale and purchase agreement took place on 13 May 2009. Accordingly, the aforementioned bank borrowings will be discharged from the Group in the year ending 31 March 2010.

The Group conducted most of its business in Renminbi and Hong Kong dollars. The Group did not enter into any foreign exchange hedge arrangement to reduce foreign exchange risk and exposure.

Shareholders' equity at 31 March 2009 was approximately HK$54,484,000 (2008: approximately HK$69,049,000), representing an decrease of 21% over last year.

As a result of the issue of the Convertible Bond (as defined below), the Group's gearing ratio for 31 March 2009, the computation of which is based on the Group's long-terms borrowings divided by shareholders' equity, was approximately 128% (2008: 7.57%, expressed as the percentage of the Group's bank borrowings over shareholders' equity).

CAPITAL STRUCTURE

On 7 May 2008, the Company issued a convertible bond (the "Convertible Bond") to Loyal Delight Group Limited, an independent third party, in the principal amount of HK$68,000,000 at an interest rate of 2.5% per annum and expiring on the third anniversary of the issue date. The initial conversion price of Convertible Bond is HK$1.03 per share.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 22 December 2008, the Group completed the transfer of its remaining 5% equity interest in 山東鄒平東南怡聯置業有限公司 (Shandong Zouping South East Yi Lian Property Company Limited) ("SEYL") to the PRC investor and ceased to have any interest in it. SEYL was set up pursuant to a cooperation for development agreement dated 31 July 2006 (as amended by a supplementary agreement dated 9 July 2007) entered into by 東南(山東)置業有限公司 (South East Property (Shandong) Limited) ("SEP"), a wholly owned subsidiary of the Company, with a PRC investor, for the purpose of disposal of a residential property in Zouping County, Shandong Province, the PRC. SEP held 50% equity interest in SEYL when it was first set up, and the other 50% was held by the PRC investor. For more details, please refer to the Company's circular dated 8 September 2006 and announcement dated 10 July 2007. During the year, SEP has fully completed the transfer of its 50% equity interest in SEYL to the PRC investor according to the terms and conditions of the above agreement.

On 26 March 2009, the Company entered into a sale and purchase agreement with Mr. 羅成山 (Luo Chengshan) in relation to the disposal of the entire equity interest in its wholly owned subsidiary, SPI, at a consideration of HK$1,600,000. The major assets of SPI were attributable to its investment in QFGW, which was a Sino-foreign equity joint venture owned as to 55% by SPI. The disposal constituted a major transaction of the Company under the Listing Rules and was approved, among other things, by the shareholders of the Company at a special general meeting on 11 May 2009. Completion of the above sale and purchase agreement took place on 13 May 2009. Upon completion, the Company ceased to have any interests in the Disposal Group. For more details, please refer to the Company's circular dated 22 April 2009.

EMPLOYEE INFORMATION

At 31 March 2009, the total number of employees of the Group was approximately 157 (2008: 159). 148 of them worked in the PRC while 9 of them worked in Hong Kong. Following completion of the disposal of the Disposal Group on 13 May 2009, the Group is no longer responsible for the staff members who are under employment with the Disposal Group. There were about 135 people employed by the Disposal Group before the disposal.

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. The Company also adopted a share option scheme in November 2003 to reward employees for their contributions to the Group.

CHARGES ON GROUP ASSETS

At 31 March 2009, the Group pledged certain assets including land and buildings with an aggregate net book value of approximately HK$8,147,000 (2008: approximately HK$8,291,000) to secure the general banking facilities and bank loans granted to the Group. The above bank loans and the land and buildings pledged for the purpose of obtaining such bank loans were all related to QFGW. After the disposal of the Disposal Group, the Disposal Group (including QFGW) no longer forms part of the liabilities and assets of the Group. Hence, the accounts of the Disposal Group (including the accounts of QFGW) will be excluded from those of the Group for the year ending 31 March 2010.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

At 31 March 2009, the Group had no outstanding capital commitments (2008: nil) and no material contingent liabilities (2008: HK$39,000,000) in view of the entering into final judgment in favour of the Company in respect of the litigation proceedings as set out in the section of "Litigation" below.

LITIGATION

As reported in previous years, a claim was brought against a wholly owned subsidiary of the Group, Benelux Manufacturing Limited (In Liquidation) ("BML"), in July 1998 by its sub-contractor, Shenzhen Benelux Enterprise Co., Limited ("SBEC"), alleging that BML was liable for the payment of approximately HK$38 million, comprising charges in connection with the processing and assembling work rendered by SBEC and the breach of an alleged loan agreement relating to certain alleged letters of credit. SBEC further alleged that the Company had granted a guarantee to SBEC in respect of the alleged BML's indebtedness to SBEC (the "Purported Guarantee") in/around January 1999. Notwithstanding that, SBEC has not initiated any proceedings against the Company based on the Purported Guarantee. BML was put into compulsory liquidation on 28 April 2000.

The directors, after seeking legal advice, were of the opinion that the liquidation of BML would not have a material adverse effect on the Group. The investments in BML and the amounts due from BML brought forward had been fully provided for in the previous years.

On 9 March 2005, the Company received a writ of summons served by Shenzhen Intermediate People's Court ("Shenzhen Intermediate Court"). The claimant 深圳市中朗科技發展有限公司 ("SZL") claims to have the right over the alleged BML's indebtedness to SBEC and the Purported Guarantee. SZL alleged that BML was liable to it in the amount of approximately HK$36 million and the Company was also liable to the joint and several liabilities thereof.

In April 2006, SZL filed a claim for an additional amount of approximately RMB35 million as accrued interest in respect of the alleged indebtedness over the years, making the total amount being claimed at approximately HK$72 million.

On 10 October 2007, the Company received a judgment awarded by Shenzhen Intermediate Court, in which the claims under the litigation lodged by SZL against the Company for undertaking the joint and several liabilities in relation to the alleged BML's indebtedness and the interest accrued thereon were dismissed. SZL then lodged an appeal to Guangdong High People's Court ("Guangdong High Court") to seek to revoke the first instance judgment made by Shenzhen Intermediate Court. Guangdong High Court made a final judgment on 30 June 2008 (according to the date set out in the final judgment) and served upon the Company on 14 August 2008. The final judgment maintained the original judgment awarded by Shenzhen Intermediate Court and dismissing the claim of SZL.

LITIGATION *(Continued)*

As advised by the Company's PRC lawyers, according to the relevant regulations of the Civil Procedure Law of the PRC (the "Civil Procedure Law"), after the first instance trial by Shenzhen Intermediate Court and the second trial by Guangdong High Court, the judgment made by the latter is a final judgment which is not subject to any or further appeal by any party to the case. However, under circumstances when certain preconditions contained in the Civil Procedure Law being fulfilled, the case may be remanded for retrial. Such circumstances include, for instance, the court or procuratorate quashing the final civil judgment and remanding the case for retrial; or on application to the court by any party to the case, which has to be made within two years from the date the final judgment came into effect. The Company's PRC lawyers further advised that, if SZL were to apply for retrial, it has to file its Application for Retrial with the Supreme People's Court of the PRC in Beijing, while observing the two-year limitation and certain preconditions contained in the Civil Procedure Law. For more details regarding the litigation, please refer to the Company's announcement dated 18 August 2008.

Save as disclosed above, there are no other material litigation or claims known to the directors pending or threatened against the Company or the Group.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

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 including the review of the financial statements of the Group for the year ended 31 March 2009. In view of the revised Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") that took effect on 1 January 2009, the Audit Committee has discussed in particular the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2009, save as disclosed below.

Under Code Provision A.1.7, there should be a procedure agreed by the Board to enable directors to seek independent professional advice at the Company's expense. The Company has established an audit committee and a remuneration committee, each of them is specifically authorised to obtain independent professional advice at the Company's expense. In practical terms, directors are allowed to seek independent professional advice at the Company's expense if needed.

CODE ON CORPORATE GOVERNANCE PRACTICES *(Continued)*

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

Under Code Provision E.1.2, the chairman of the Board (the "Chairman") should attend the Company's annual general meeting. Owing to another business engagement, Mr. Wu Siu Chung, the Chairman, was unable to attend the Company's annual general meeting held on 6 August 2008 (the "AGM"). Mr. Chen Xiaoping, an executive director of the Company who was present at the AGM, chaired the meeting in accordance with the provisions of the Company's bye-laws.

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 compiled with the required standard set out in the Model Code throughout the year ended 31 March 2009.

PUBLICATION OF FINANCIAL INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's annual report for the year ended 31 March 2009 containing all applicable information required by Paragraph 45 of Appendix 16 of the Listing Rules will be despatched to the shareholders of the Company and published on the Stock Exchange's website and on the Company's website (http://www.ilinkfin.net/south_east_group) in due course.

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

Hong Kong, 8 July 2009

The directors of the Company as at the date of this announcement are Mr. Wu Siu Chung (Chairman) and Mr. Chen Xiaoping as executive directors; Mr. Chen Yuan Shou, Budiman and Mr. Eduard William Rudolf Helmuth Will as non-executive directors; and Mr. Lo Yuk Lam, Mr. Wong Kam Wah and Mr. David R. Peterson as independent non-executive directors.