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 2010

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 2010 with comparative figures for the previous corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2010

	Note	**2010** **HK$'000**	2009 HK$'000
CONTINUING OPERATIONS			
TURNOVER	4	**244**	5,021
COST OF INVENTORIES SOLD		**(150)**	(4,405)
GROSS PROFIT		**94**	616
OTHER REVENUES	4	**956**	1,281
SELLING AND DISTRIBUTION COSTS		**(6)**	(52)
ADMINISTRATIVE EXPENSES		**(13,283)**	(14,844)
GAIN ON DISPOSAL OF SUBSIDIARIES	5 (b)	**2,561**	—
LOSS FROM OPERATIONS		**(9,678)**	(12,999)
FINANCE COSTS	6	**(3,285)**	(2,668)
LOSS BEFORE TAXATION	7	**(12,963)**	(15,667)
TAXATION	8	**(8)**	(1,264)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(12,971)**	(16,931)
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	5 (a)	**(96)**	(945)
LOSS FOR THE YEAR		**(13,067)**	(17,876)

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
FOR THE YEAR ENDED 31 MARCH 2010

	Note	2010 HK$'000	2009 HK$'000
OTHER COMPREHENSIVE INCOME/(LOSS):			
TRANSLATION DIFFERENCE		**(2)**	1,650
CHANGE IN FAIR VALUE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS		**3,231**	(3,766)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**3,229**	(2,116)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(9,838)**	(19,992)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
OWNERS OF THE COMPANY		**(13,067)**	(17,876)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*9*		
From continuing operations:			
Basic and diluted (cents)		**(3.77)**	(4.96)
From discontinued operations:			
Basic (cents)		**(0.03)**	(0.28)
Diluted (cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2010

	Note	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**947**	1,307
Available-for-sale financial assets		**5,688**	2,457
Total non-current assets		**6,635**	3,764
CURRENT ASSETS			
Held-to-maturity investments		**780**	780
Properties held for sale		**22,182**	22,320
Inventories		**—**	226
Trade and other receivables	*11*	**2,381**	2,635
Tax refundable		**191**	192
Cash and cash equivalents		**82,272**	96,148
		107,806	122,301
Assets held for sale		**—**	12,774
Total current assets		**107,806**	135,075
CURRENT LIABILITIES			
Trade and other payables	*12*	**3,279**	5,129
Convertible bond		**1,700**	1,695
		4,979	6,824
Liabilities directly associated with the assets held for sale		**—**	14,725
Total current liabilities		**4,979**	21,549
NET CURRENT ASSETS		**102,827**	113,526
TOTAL ASSETS LESS CURRENT LIABILITIES		**109,462**	117,290
NON-CURRENT LIABILITIES			
Convertible bond		**64,374**	62,806
NET ASSETS		**45,088**	54,484
EQUITY			
Equity attributable to owners of the Company:			
Share capital		**34,433**	34,102
Reserves		**10,655**	20,382
TOTAL EQUITY		**45,088**	54,484

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs"), and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants ("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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated 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.

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting year of the Group. Note 2 and 3 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 consolidated financial statements.

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

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

HKFRS 7 (Amendment)	Improving Disclosure about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008

HKFRS 7 'Financial Instruments — Disclosures' (amendment) — effective 1 January 2009
The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures.

HKFRS 8 Operating Segments — effective 1 January 2009
The standard requires segment disclosure to be based on the way that the Group's chief operating decision makers regard and manage the Group, with amounts reported for each reportable segment being the measures reported to the Group's chief operating decision makers for the purposes of assessing segment performance and making decisions about operating matters. During the year ended 31 March 2010, the Group adopted HKFRS 8 which has no effect on the disclosures of the consolidated financial statements as the presentation of segment information in prior years, which was based on a disaggregation of the Group's financial statements into segments, has been prepared in a manner that was consistent with internal reporting provided to the Group's most senior executive management.

2. IMPACT OF THE ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 1 (Revised) Presentation of Financial Statements — effective 1 January 2009
The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity; 'non-owner changes in equity' is required to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.

HKFRSs (Amendments) Improvements to HKFRSs issued in 2008 — effective 1 January 2009
The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. The impact of these amendments is not considered to be material to the Group and have not resulted in changes to the Group's accounting policies.

3 IMPACT OF STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS THAT ARE NOT EFFECTIVE

The following new standards, amendments and interpretations to existing standards (collectively, the "Amendments") have been published that are mandatory for accounting periods beginning on or after 1 January 2010. Some of the Amendments are relevant and applicable to the Group. However, they have not been early adopted in these consolidated financial statements. The Group has commenced, but not yet completed, an assessment of the impact of the applicable Amendments on its results of operations and financial positions. The directors are of the view that the impact on the consolidated financial statements would not be significant other than the requirement to make certain additional disclosure.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Item[1]
HKAS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Amendments that are effective for annual periods beginning on or before 1 July 2009 or 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 January 2010
[4] Effective for annual periods beginning on or after 1 February 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 July 2010
[7] Effective for annual periods beginning on or after 1 January 2013

4 TURNOVER AND OTHER REVENUES

	2010	2009
	HK$'000	*HK$'000*
TURNOVER		
Continuing operations:		
— Sales of properties held for sale	**244**	4,799
— Sales of wine	**—**	222
	244	5,021
Discontinued operations:		
— Sales of wine	**—**	3,254
Total turnover	**244**	8,275
OTHER REVENUES		
Continuing operations:		
— Interest income	**669**	870
— Investment income	**88**	—
— Gain on disposal of available-for-sale financial assets	**—**	19
— Sundry income	**199**	392
Total other revenues	**956**	1,281
Total turnover and other revenues	**1,200**	9,556

5. DISCONTINUED OPERATIONS

On 26 March 2009, the Company entered into an agreement to sell its entire interests in South Perfect International Limited, a company which directly held 55% equity interests in Qingdao Fushiwang Grape Wine Co., Limited ("QFGW") (collectively, the "SPI Group"), at a consideration of HK$1,600,000. The SPI Group was principally engaged in manufacturing and trading of wine products. The disposal was completed on 13 May 2009. The Group's another subsidiary, Qingdao Southeast Commercial Limited ("QSC"), which carried on the trading of wine products, was put into voluntary liquidation following completion of the disposal. QSC was de-registered on 21 January 2010. Accordingly, the results of the manufacturing and trading of wine products attributable to the aforementioned subsidiaries were presented as discontinued operations in accordance with HKFRS 5 ("Non-current assets held for sale and discontinued operations").

5. DISCONTINUED OPERATIONS *(Continued)*

(a) Results of the discontinued operations

The results of the discontinued operations included in the consolidated statement of comprehensive income are as follows:

	2010	2009
	HK$'000	*HK$'000*
Turnover	**30**	3,254
Cost of inventories sold	**—**	(3,100)
Gross profit	**30**	154
Other revenues	**—**	1
Selling and distribution costs	**(5)**	(756)
Administrative expenses	**(121)**	(342)
Loss from operations	**(96)**	(943)
Finance costs	**—**	(2)
Loss before taxation	**(96)**	(945)
Taxation	**—**	—
Loss for the year from discontinued operations	**(96)**	(945)

(b) Gain on disposal of subsidiaries

Net gain on disposal of subsidiaries is provided below:

	2010	2009
	HK$'000	*HK$'000*
Consideration	**1,600**	—
Net liabilities associated with the disposal of subsidiaries	**1,920**	—
	3,520	—
Other expenses	**(959)**	—
Net gain on disposal	**2,561**	—

Net cash inflow arising on disposal:

Cash consideration	**1,600**	—
Less: Cash and bank balances disposed	**(47)**	—
Other expenses	**(959)**	—
	594	—

6. FINANCE COSTS

	2010	2009
	HK$'000	*HK$'000*
Continuing operations:		
Interest expenses on convertible bond	**3,272**	2,663
Others	**13**	5
	3,285	2,668
Discontinued operations:		
Others	**—**	2
Total	**3,285**	2,670

7. LOSS BEFORE TAXATION

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

	2010	2009
	HK$'000	*HK$'000*
Auditors' remuneration		
— Current year	**185**	200
— Under-provision for prior year	**17**	21
	202	221
Impairment loss of trade receivables	**499**	455
Cost of inventories sold	**150**	4,405
Depreciation	**362**	372
Impairment on finished goods	**226**	—
Net exchange gain	**—**	(285)
Operating lease payments	**2,194**	2,367
Employee benefits expenses (excluding directors' remuneration)		
— Salaries and allowance	**2,621**	2,499
— Retirement benefit schemes contribution	**132**	148

8. TAXATION

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

	2010	2009
	HK$'000	*HK$'000*
The People's Republic of China (the "PRC") income tax		
— Provision for the year	**8**	222
— Under-provision for prior year	**—**	1,042
Total	**8**	1,264

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not derive any assessable profits in Hong Kong for the year (2009: Nil).

Taxation on profits derived in the PRC for subsidiaries has been calculated at the rate of tax prevailing in the PRC corporate income tax rate of 25% (2009: 25%), which is based on existing legislation, interpretations and practices in respect thereof.

(b) At 31 March 2010, the Group had no outstanding income tax payable (2009: Nil).

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

	2010	2009
	HK$'000	*HK$'000*
Loss before taxation from continuing operations	**(12,963)**	(15,667)
Tax calculated at the applicable tax rates	**(2,361)**	(7,144)
Tax effect of non-taxable income	**(3,767)**	(4)
Tax loss not recognised	**6,136**	8,341
Tax effect on utilisation of tax losses not previously recognised	**—**	71
Total tax expenses	**8**	1,264

(d) At the end of reporting period, the Group has unused tax losses that are available indefinitely for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 31 March 2010 and 2009, there were no significant unrecognised deferred tax liabilities for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

9. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to owners for the year of approximately HK$13,067,000 (2009: loss of approximately HK$17,876,000) which comprises the loss from continuing operations of approximately HK$12,971,000 (2009: loss of approximately HK$16,931,000) and the loss from discontinued operations of approximately HK$96,000 (2009: loss of approximately HK$945,000) and on the weighted average of 343,456,620 (2009: 341,020,880) 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 421,750,366 (2009: 413,811,620). 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 2010 and 31 March 2009.

10. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 March 2010 (2009: Nil).

11. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**2,135**	2,413
Less: Provision for impairment	**(796)**	(297)
Trade receivables, net of provision	**1,339**	2,116
Deposit and other receivables	**648**	162
Maximum exposure to credit risk	**1,987**	2,278
Prepayment	**394**	357
	2,381	2,635

The carrying amounts of trade and other receivables approximate their fair values as at 31 March 2010 and 2009. The Group does not hold any collateral over these balances.

11. TRADE AND OTHER RECEIVABLES *(Continued)*

At the end of reporting period, the aging analysis of trade receivables, based on the invoice issue date, is as follows:

	2010 *HK$'000*	2009 *HK$'000*
Current to 1 month	—	97
1 to 3 months	—	949
Over 3 months	**2,135**	1,367
	2,135	2,413

As of 31 March 2010, trade receivables of HK$1,339,000 (2009: HK$2,116,000) were past due but not impaired. These relate to a number of independent customers for whom there was no recent history of default. The aging analysis of these receivables is as follows:

	2010 *HK$'000*	2009 *HK$'000*
Past due less than 1 month	—	97
Past due 1 to 3 months	—	949
Past due over 3 months	**1,339**	1,070
Trade receivables	**1,339**	2,116

The movements on the provision for impairment of trade receivables are as follows:

	2010 *HK$'000*	2009 *HK$'000*
At 1 April	**297**	6,668
Provision for impairment of trade receivables	**499**	455
Receivables written off during the year as uncollectible	—	(6,826)
At 31 March	**796**	297

The creation and release of provision for impaired receivables have been included in administrative and operating expenses in the consolidated statement of comprehensive income. Amounts charged to the provision account are written off when there is no expectation of recovering additional cash.

11. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2010	2009
	HK$'000	*HK$'000*
Renminbi	**1,461**	2,304
Hong Kong dollars	**920**	331
	2,381	2,635

12. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**498**	864
Other payables and accruals	**2,781**	4,265
	3,279	5,129

The carrying amounts of the Group's trade and other payables approximate their fair values as at 31 March 2010 and 2009 and are denominated in the following currencies:

	2010	2009
	HK$'000	*HK$'000*
Hong Kong dollars	**2,031**	2,149
Renminbi	**1,248**	2,980
	3,279	5,129

12. TRADE AND OTHER PAYABLES *(Continued)*

At the end of reporting period, the aging analysis of trade payables of the Group, based on the invoice issue date, is as follows:

	2010	2009
	HK$'000	*HK$'000*
Over 3 months	**498**	864
	498	864

13. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's primary operating segment is trading of data storage media products and related equipments ("Data storage media products and related equipment") and property development ("Properties held for sale"). Since this is the only operating segment of the Group and is more consistent with the Group's internal financial reporting, no further analysis thereof is presented.

An analysis of the Group's revenue and results by operating segments and segment assets and liabilities is set out below:

RESULTS

(a) Operating segments

For the year ended 31 March 2010

	Continuing operations			**Discontinued operations**	
	Data storage media products and related equipment	**Properties held for sale**	**Total**	**Wine**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
SEGMENT REVENUE					
External revenue	**—**	**244**	**244**	**30**	**274**
Total	**—**	**244**	**244**	**30**	**274**
SEGMENT RESULTS	**40**	**(1,084)**	**(1,044)**	**(96)**	**(1,140)**
Other income					**2,793**
Other expenses					**(11,427)**
Finance costs					**(3,285)**
Loss before taxation					**(13,059)**
Taxation					**(8)**
Loss for the year					**(13,067)**

13. SEGMENT INFORMATION *(Continued)*

RESULTS *(Continued)*

(a) Operating segments *(Continued)*

For the year ended 31 March 2009

	Continuing operations				Discontinued operations	
	Data storage media products and related equipment *HK$'000*	Properties held for sale *HK$'000*	Wine *HK$'000*	Total *HK$'000*	Wine *HK$'000*	Consolidated *HK$'000*
SEGMENT REVENUE						
External revenue	—	4,799	222	5,021	3,254	8,275
Total	—	4,799	222	5,021	3,254	8,275
SEGMENT RESULTS	112	(291)	(99)	(278)	(943)	(1,221)
Other income						390
Other expenses						(13,111)
Finance costs						(2,670)
Loss before taxation						(16,612)
Taxation						(1,264)
Loss for the year						(17,876)

(b) Segment assets and liabilities

As at 31 March 2010

	Continuing operations		**Discontinued operations**	
	Data storage media products and related equipment *HK$'000*	**Properties held for sale** *HK$'000*	**Wine** *HK$'000*	**Consolidated** *HK$'000*
ASSETS				
Segment assets	**418**	**65,716**	**—**	**66,134**
Unallocated assets				**48,307**
Total assets				**114,441**
LIABILITIES				
Segment liabilities	**289**	**1,151**	**—**	**1,440**
Unallocated liabilities				**67,913**
Total liabilities				**69,353**

13. SEGMENT INFORMATION *(Continued)*

RESULTS *(Continued)*

(b) Segment assets and liabilities *(Continued)*

As at 31 March 2009

	Continuing operations			Discontinued operations	
	Data storage media products and related equipment *HK$'000*	Properties held for sale *HK$'000*	Wine *HK$'000*	Wine *HK$'000*	Consolidated *HK$'000*
ASSETS					
Segment assets	495	66,862	128	12,774	80,259
Unallocated assets					58,580
Total assets					138,839
LIABILITIES					
Segment liabilities	282	2,978	2	14,725	17,987
Unallocated liabilities					66,368
Total liabilities					84,355

RESULTS

The Group's turnover from continuing operations amounted to approximately HK$244,000 for the year ended 31 March 2010, as compared with its turnover from continuing operations of approximately HK$5,021,000 in the previous year. The Group recorded a loss attributable to owners of the Company of approximately HK$13,067,000 for the year ended 31 March 2010, whereas the loss for the preceding year was approximately HK$17,876,000.

BUSINESS REVIEW

For the year ended 31 March 2010, the Group's turnover from continuing operations was wholly generated by its business of property development and investment, which represented sales of car park units amounted to HK$244,000 (2009: HK$297,000). At 31 March 2010, completed properties held for sale by the Group were located in the People's Republic of China (the "PRC"), which consisted of commercial properties with a gross floor area of approximately 8,137 square metres in Zouping, Shandong, and 28 car park units in Pudong, Shanghai. No sales of commercial properties were recorded during the year (2009: HK$4,502,000). Taking into account of the persistent weak market response, the management might consider selling the inventory of completed properties in Zouping, Shandong in a whole lot so that capital and management resources could be reallocated to other more promising projects. The Group continued to lease out some of the commercial properties held in Zouping, Shandong for expedience sake. Accordingly, rental income of approximately HK$153,000 (2009: HK$238,000) was recorded and was accounted for as other revenues for the year ended 31 March 2010.

During the financial year under review, the Group completed its exit process of the wine business including disposal of its subsidiaries engaged in the operation of manufacturing and trading of wine products in the PRC, the completion of which took place in May 2009. The Group discontinued this business thereafter. As reported previously, the operating model in relation to the trading of data storage media products have become obsolete. Its role as a revenue contributor has completely phased out.

PROSPECTS

The core business of the Group remained property development and investment. During the financial year under review, the Group has taken steps to look for investment opportunities with focus in the PRC market to sustain growth of its property business. However, the efforts made are not rewarding so far. As a result, the Group has slowed down its pace in this business especially when correction in the property market and tight credit policy is still prevailing in the PRC. The Directors realize that the need to develop new business is imminent. The Group will aim at new projects that can meaningfully strengthen the profitability of the Group with a steady and enduring approach going forward. If the Group can successfully pursue these new businesses, it is believed that it will enter into a diversified and high growth development stage in the long run. The Company will announce at appropriate time if any of the potential investment projects becomes materialized.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2010, the Group had cash and bank balances amounted to approximately HK$82,272,000 (2009: HK$96,201,000). Owing to the disposal of the Group's wine business, bank borrowings attributable to this reportable segment were discharged during the financial year under review. At the year-end date, the Group had no bank or other borrowings which are repayable within one year (2009: HK$5,368,000) but had a Convertible Bond (as defined below) with carrying amount of approximately HK$66,074,000 (2009: HK$64,501,000).

During the financial year under review, the Group's business operations were mainly in Hong Kong and the PRC. Hence, the main operational currencies were Hong Kong dollars and Renminbi, the exchange rate of which has remained stable. As there was no significant exposure to foreign exchange fluctuation, the Group did not enter into any foreign exchange hedge arrangement to reduce foreign exchange risk and exposure.

Shareholders' equity at 31 March 2010 was HK$45,088,000 (2009: HK$54,484,000), representing a decrease of approximately 17% over last year.

The Group's gearing ratio at 31 March 2010, expressed as the percentage of the Group's total borrowings over total equity, was approximately 147% (2009: 128%).

CAPITAL STRUCTURE

At 31 March 2010, the Company's issued share capital was HK$34,432,588 with 344,325,880 ordinary shares of HK$0.1 each in issue. Apart from the share capital, the Company had an outstanding convertible bond at 31 March 2010. The convertible bond was issued by the Company on 7 May 2008, with a principal amount of HK$68,000,000 bearing an annual interest rate of 2.5% and expiring on the third anniversary of the issue date (the "Convertible Bond"). The holder of the Convertible Bond is entitled to convert any part of the principal amount into new ordinary shares of the Company at a conversion price of HK$1.03 each.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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, South Perfect International Limited ("SPI", together with its subsidiaries collectively referred to as the "SPI Group"), at a consideration of HK$1,600,000. The major assets of SPI were attributable to its investment in Qingdao Fushiwang Grape Wine Co., Ltd. ("QFGW"), which was a Sino-foreign equity joint venture owned as to 55% by SPI. The SPI Group was engaged in the business of manufacturing and trading of wine products in the PRC. Completion of the above sale and purchase agreement took place on 13 May 2009. Details of the disposal transaction are set out in the Company's circular dated 22 April 2009.

Following completion of the disposal of the SPI Group, the Company put its PRC incorporated subsidiary, 青島東南商貿有限公司 (Qingdao Southeast Commercial Limited, "QSC"), into voluntary liquidation. QSC was engaged in the trading of wine products and was incorporated for serving the SPI Group. As the wine business ceased operations, there was no purpose for maintaining QSC. QSC completed its liquidation procedures and was de-registered on 21 January 2010 accordingly.

EMPLOYEE INFORMATION

At 31 March 2010, the total number of employees of the Group was 19 (2009: 157). 10 of them worked in the PRC while 9 of them worked in Hong Kong. The significant reduction in work force was mainly due to the disposal by the Group of the SPI Group engaged in wine production and distribution in the PRC. The Group employed about 135 people for the discontinued operations before such 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 2010, the Group had no significant assets pledged to banks to secure general banking facilities and bank loan granted to the Group (2009: HK$8,147,000). Following completion of the disposal by the Group of the SPI Group which was engaged in the operation of manufacturing and trading of wine products in the PRC, assets and liabilities of the disposed subsidiaries (including the pledged assets and the banks loans attributable to these subsidiaries accounted for in the preceding year) were excluded from consolidation.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

At 31 March 2010, the Group had no outstanding capital commitments (2009: nil) and no material contingent liabilities (2009: nil) 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 in July 1998 against Benelux Manufacturing Limited (In Liquidation) ("BML"), a company in which the Company has a direct wholly owned interest but not treated as a subsidiary, 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 the allegation, 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 深圳市中朗科技發有限公司 ("SZL") claimed 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.

LITIGATION *(Continued)*

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 dismissed the claim of SZL.

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 had 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 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.

AUDIT COMMITTEE

The Company has established an Audit Committee in accordance with the code provisions of the Code on Corporate Governance Practices for the purpose of reviewing and providing supervision over the Company's financial reporting procedures and internal control system. The Audit Committee, comprising two independent non-executive directors and one non-executive director 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 for the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2010 except for the following deviations:

Under Code Provision A.1.1, board meetings should be held at least four times a year at approximately quarterly intervals. The Company only convened three board meetings during the year ended 31 March 2010. As there is no significant business development that needs to bring to the attention of the board immediately, circulation of written materials to keep the board informed throughout the year is considered to be sufficient. It is believed that the Company will satisfy the requirement under this code provision when the Group's business grows in the future.

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 other business commitment, Mr. Wu Siu Chung, the Chairman, was unable to attend the Company's annual general meeting held on 20 August 2009 (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.

The Company will continue to review the situation as stated above and to improve the corporate governance practices of the Company when and as it becomes appropriate in future.

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 2010.

PUBLICATION OF FINANCIAL INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's annual report for the year ended 31 March 2010 containing all applicable information required by Paragraph 45 of Appendix 16 to 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, 21 June 2010

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.