SOUTH EAST GROUP LIMITED
（東南國際集團有限公司）*

(Incorporated in Bermuda with limited liability)

(Stock Code: 726)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

INTERIM RESULTS

The Board of Directors of South East Group Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2011 together with the comparative figures for the previous corresponding period. These interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 September 2011

		Six months ended 30 September	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Turnover	*3*	**710**	—
Cost of properties sold		**(589)**	—
Gross profit		**121**	—
Other revenues		**831**	180
Selling and distribution costs		**(10)**	(1)
Administrative expenses		**(6,860)**	(8,436)
Loss from operations	*4*	**(5,918)**	(8,257)
Finance costs	*5*	**(1,691)**	(1,680)
Loss before taxation		**(7,609)**	(9,937)
Taxation	*6*(a)	**(12)**	—
Loss for the period		**(7,621)**	(9,937)
Other comprehensive (loss)/income:			
Translation difference		**(1)**	(1)
Change in fair value of available-for-sale financial assets		**(2,177)**	252
Other comprehensive (loss)/income for the period		**(2,178)**	251
Total comprehensive loss for the period		**(9,799)**	(9,686)

* *For identification purposes only*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Continued)

For the six months ended 30 September 2011

		Six months ended 30 September	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Loss for the period attributable to:			
Owners of the Company		**(7,621)**	(9,937)
Total comprehensive loss attributable to:			
Owners of the Company		**(9,799)**	(9,686)
Interim dividend per share		**Nil**	Nil
Loss per share attributable to owners of the Company			
Basic and diluted (cents)	*7*	**(2.19)**	(2.89)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	Note	**30 September 2011 (unaudited)** *HK$'000*	31 March 2011 (audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**412**	591
Goodwill		**—**	—
Available-for-sale financial assets		**4,017**	6,194
Total non-current assets		**4,429**	6,785
CURRENT ASSETS			
Held-to-maturity investments		**780**	780
Properties held for sale		**21,241**	21,778
Trade and other receivables	*8*	**789**	1,242
Tax prepayment	*6(b)*	**199**	183
Cash and cash equivalents		**61,788**	68,691
Total current assets		**84,797**	92,674
CURRENT LIABILITIES			
Trade and other payables	*9*	**1,916**	3,055
Convertible bond		**2,040**	1,877
Total current liabilities		**3,956**	4,932
NET CURRENT ASSETS		**80,841**	87,742
TOTAL ASSETS LESS CURRENT LIABILITIES		**85,270**	94,527
NON-CURRENT LIABILITIES			
Convertible bond		**60,498**	65,844
NET ASSETS		**24,772**	28,683
EQUITY			
Equity attributable to owners of the Company:			
Share capital		**34,795**	34,795
Reserves		**(10,023)**	(6,112)
TOTAL EQUITY		**24,772**	28,683

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The unaudited condensed consolidated interim financial statements should be read in conjunction with the Annual Report of the Group for the year ended 31 March 2011.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted in the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011. In the current interim period, the Group has applied for the first time, a number of new and revised standards, amendments and interpretations (collectively the "new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2011.

Significant accounting policies newly adopted by the Group

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments

Impact of new and revised HKFRSs

The adoption of the above new and revised HKFRSs that are effective for the current period has had no material impact on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognized.

Impact of issued but not yet effective HKFRSs

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective. The Group is in the process of making an assessment of the expected impact of these new and revised HKFRSs upon initial application and so far considered that these are unlikely to have a significant impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the aggregate of the net amounts received and receivable for goods sold to outside customers, less trade discounts, for the six months ended 30 September 2011.

The Company's executive directors have been identified as the chief operating decision maker. The Group's principal activity is property development in the PRC. The executive directors categorized the Group's existing operations into one single business division, hence no segment information is presented.

At the end of reporting period, non-current assets included property, plant and equipment with carrying amount of approximately HK$316,000 (31 March 2011: HK$474,000) and HK$96,000 (31 March 2011: HK$117,000) are located in Hong Kong and the PRC respectively.

4. LOSS FROM OPERATIONS

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

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Crediting:		
Interest income	**411**	21
Investment income	**113**	72
Charging:		
Cost of properties sold	**589**	—
Depreciation	**179**	180
Operating lease payments	**1,580**	1,063
Directors' remuneration		
— Fees	**300**	300
— Salaries and allowances	**1,260**	1,260
— Retirement benefit schemes contribution	**12**	12
Staff costs (excluding directors' remuneration)		
— Salaries and allowances	**1,536**	1,172
— Retirement benefit schemes contribution	**82**	66

5. FINANCE COSTS

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Interest expenses on convertible bond	**1,689**	1,677
Others	**2**	3
	1,691	1,680

6. TAXATION

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

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong profits tax		
The Company and subsidiaries	**—**	—
PRC corporate income tax		
Subsidiaries		
— Current period provision	**12**	—
	12	—

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group did not derive any assessable profits in Hong Kong during the interim period (six months ended 30 September 2010: 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 24% (2010: 25%), which is based on existing legislation, interpretations and practices in respect thereof.

b) At the end of reporting period, the Group had income tax prepayment as follows:

	As at 30 September 2011	As at 31 March 2011
	HK$'000	*HK$'000*
PRC corporate income tax		
— Tax prepayment	**199**	183

7. LOSS PER SHARE

The calculation of basic loss per share for the period is based on the unaudited consolidated loss attributable to owners of the Company of approximately HK$7,621,000 (six months ended 30 September 2010: loss of approximately HK$9,937,000) and on the weighted average number of 347,953,880 (six months ended 30 September 2010: 344,325,880) shares in issue during the period. No diluted loss per share has been presented as the exercise of the Company's outstanding share options and convertible bond would result in a decrease in net loss per share for both periods.

8. TRADE AND OTHER RECEIVABLES

	As at 30 September 2011 *HK$'000*	As at 31 March 2011 *HK$'000*
Trade receivables	**1,812**	1,929
Less: Provision for impairment	**(1,812)**	(1,904)
Trade receivables, net of provision	**—**	25
Deposits and other receivables	**241**	655
Maximum exposure to credit risk	**241**	680
Prepayments	**548**	562
	789	1,242

The Group maintains a defined credit policy. The carrying amounts of trade and other receivables approximate their fair values as at 30 September 2011 and 31 March 2011.

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

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

	As at 30 September 2011 *HK$'000*	As at 31 March 2011 *HK$'000*
Renminbi	**228**	121
Hong Kong dollars	**561**	1,121
	789	1,242

9. TRADE AND OTHER PAYABLES

	As at 30 September 2011 *HK$'000*	As at 31 March 2011 *HK$'000*
Trade payables	**328**	328
Other payables and accruals	**1,588**	2,727
	1,916	3,055

The carrying amounts of trade and other payables approximate their fair values as at 30 September 2011 and 31 March 2011 and are denominated in the following currencies:

	As at 30 September 2011 *HK$'000*	As at 31 March 2011 *HK$'000*
Hong Kong dollars	**1,139**	2,330
Renminbi	**777**	725
	1,916	3,055

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

10. APPROVAL OF THE INTERIM FINANCIAL REPORT

This interim financial report was approved by the Board of Directors on 25 November 2011.

INTERIM DIVIDEND

The Directors have decided not to declare any interim dividend for the six months ended 30 September 2011 (six months ended 30 September 2010: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 September 2011, the Group reported a turnover of approximately HK$710,000 (six months ended 30 September 2010: nil), which was generated solely from the business of property development and investment. During the period under review, loss attributable to owners of the Company decreased by about 23% to HK$7,621,000 (six months ended 30 September 2010: HK$9,937,000), loss per share decreased by about 24% to HK2.19 cents (six months ended 30 September 2010: HK2.89 cents). The reduction in loss was mainly attributed to the fact that loss of the corresponding period in 2010 included extra administrative expenses incurred for exploring possible avenues for the Group's business development.

Business Review and Prospects

During the six months ended 30 September 2011, the Group has been continuing a consistent operation strategy to sell its completed properties under the property development projects located in the People's Republic of China (the "PRC"). The sales volume of commercial properties and car parking space was about 152 square metres and 3 units respectively, which generated turnover in aggregate amounted to HK$710,000 in the period under review (six months ended 30 September 2010: nil). At 30 September 2011, there remained a gross floor area of approximately 7,985 square metres of commercial properties in Zouping, Shandong and 8 car park units in Pudong, Shanghai held by the Group in the PRC. The Group also generated revenue by leasing out certain commercial properties held in Zouping, Shandong. Rental income of approximately HK$116,000 was recorded and accounted for as other revenues for the period under review (six months ended 30 September 2010: HK$88,000).

Despite that properties sales manifested modest improvement under the existing operating mode during the period, the Group has been assessing the situation and considering making necessary adjustment so as to realize on its investments in the property projects. Going forward, the management will use its best endeavours to explore new business and appropriate investment opportunities, especially in the PRC. It is in the process of evaluation of a couple of new investment projects. The Group's long term plan is to diversify its business development with an aim of broadening its income stream and turning the bottom line around. The Group will continue to adopt a stable financial management strategy in the course of identifying suitable investment opportunities.

Liquidity and Financial Resources

At 30 September 2011, cash and bank balances of the Group amounted to approximately HK$61,788,000, as compared to approximately HK$68,691,000 at 31 March 2011. At the end of the period, the Group's total borrowings represented the carrying amount of the convertible bond (as defined below) of approximately HK$62,538,000 (31 March 2011: HK$67,721,000).

During the period, the Group's business operations were mainly in Hong Kong and the PRC. Hence, most of the transactions were denominated and settled in Hong Kong dollars and Renminbi. As there was no significant exposure to foreign exchange fluctuation arising from the normal course of operations, the Group did not enter into any foreign exchange hedge arrangement to reduce foreign exchange risk and exposure.

Shareholders' equity is approximately HK$24,772,000 at 30 September 2011 (31 March 2011: HK$28,683,000).

The Group's gearing ratio at 30 September 2011, expressed as the percentage of the Group's total borrowings over shareholders' equity, was approximately 252%, as compared with 236% at 31 March 2011.

Capital Structure

At 30 September 2011, the Company's issued share capital was HK$34,795,388 with 347,953,880 ordinary shares of HK$0.10 each in issue.

Subsequent to the period end date, an option holder exercised his option rights to subscribe for 3,305,000 shares at an exercise price of HK$0.177 per share. Hence, the Company's issued share capital increased to HK$35,125,888 divided into 351,258,880 ordinary shares of HK$0.10 each.

The Company had issued a convertible bond with a principal amount of HK$68,000,000 to Loyal Delight Group Limited, an independent third party. On 9 March 2011, the Company and Loyal Delight Group Limited entered into a deed of amendment to amend various terms of the convertible bond. Such amendments, among others, included the extension of the maturity date to 7 May 2016, adjustment of conversion price to HK$0.418 per share and adjustment of the interest rate to 3% per annum with effect from 8 May 2011, were approved by the shareholders of the Company at a special general meeting held on 18 April 2011.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

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

Employees

At 30 September 2011, the total number of employees of the Group based in Hong Kong and the PRC was approximately 23 (31 March 2011: 23).

Employees are basically remunerated based on the nature of their job and their performance as well as 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 of the Group for their contributions to the Company.

Charges on Group assets

At 30 September 2011, the Group had no significant assets pledged to banks to secure general banking facilities and bank loan granted to the Group (31 March 2011: nil).

Capital commitment and contingent liabilities

At 30 September 2011, the Group had no outstanding capital commitments (31 March 2011: nil) and no material contingent liabilities (31 March 2011: nil).

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited interim results for the six months ended 30 September 2011. The Audit Committee currently comprises three members including two independent non-executive directors, Mr. LO Yuk Lam and Mr. WONG Kam Wah, and a non-executive director, Mr. Eduard William Rudolf Helmuth WILL.

CODE ON CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, 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 during the interim period.

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.

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. Based on the specific enquiry made to the Company's directors, they have complied with the required standard set out in the Model Code throughout the accounting period under review.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of its shares during the six months ended 30 September 2011.

PUBLICATION OF FINANCIAL INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's interim report for the six months ended 30 September 2011 containing all applicable information required by the Listing Rules will be despatched to shareholders of the Company and published on the Stock Exchange's website (www.hkex.com.hk) and on the Company's website (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, 25 November 2011

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 Eduard William Rudolf Helmuth WILL as non-executive directors; Mr. LO Yuk Lam, Mr. WONG Kam Wah and Mr. David R. PETERSON as independent non-executive directors.