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 2013

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 2013 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2013

		Six months ended 30 September	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Turnover	*3*	**—**	732
Cost of properties sold		**—**	(354)
Gross profit		**—**	378
Other revenues		**698**	1,074
Selling and distribution costs		**(12)**	(14)
Administrative expenses		**(7,905)**	(8,095)
Loss from operations	*4*	**(7,219)**	(6,657)
Finance costs	*5*	**(1,609)**	(1,580)
Loss before taxation		**(8,828)**	(8,237)
Taxation	*6(a)*	**—**	(3)
Loss for the period		**(8,828)**	(8,240)

* *For identification purposes only*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 September 2013

		Six months ended 30 September	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Other comprehensive (loss)/income:			
Translation difference		**703**	451
Change in fair value of available-for-sale financial assets		**(956)**	(991)
Other comprehensive loss for the period		**(253)**	(540)
Total comprehensive loss for the period		**(9,081)**	(8,780)
Loss for the period attributable to:			
Owners of the Company		**(8,828)**	(8,240)
Total comprehensive loss attributable to:			
Owners of the Company		**(9,081)**	(8,780)
Interim dividend per share		**Nil**	Nil
Loss per share attributable to owners of the Company			
Basic and diluted (cents)	*7*	**(2.51)**	(2.35)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2013

	Note	**30 September 2013 (unaudited)** *HK$'000*	31 March 2013 (audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**26**	39
Goodwill	*8*	**—**	—
Available-for-sale financial assets		**2,350**	3,306
Total non-current assets		**2,376**	3,345
CURRENT ASSETS			
Held-to-maturity investments		**780**	780
Properties held for sale		**22,500**	22,318
Trade and other receivables	*9*	**2,936**	3,528
Cash and cash equivalents		**31,667**	39,855
Total current assets		**57,883**	66,481
CURRENT LIABILITIES			
Trade and other payables	*10*	**1,748**	2,815
Tax payable	*6(b)*	**163**	165
Convertible bond	*11*	**2,040**	2,040
Total current liabilities		**3,951**	5,020
NET CURRENT ASSETS		**53,932**	61,461
TOTAL ASSETS LESS CURRENT LIABILITIES		**56,308**	64,806
NON-CURRENT LIABILITIES			
Convertible bond	*11*	**62,726**	62,143
NET (LIABILITES)/ASSETS		**(6,418)**	2,663
CAPITAL AND RESERVES			
(Capital deficiency)/Equity attributable to owners of the Company:			
Share capital		**35,126**	35,126
Reserves		**(41,544)**	(32,463)
TOTAL (DEFICIT)/EQUITY		**(6,418)**	2,663

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").

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

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 2013.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies adopted in the preparation of 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 2013. In the current interim period, the Group has applied a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2013.

Significant accounting policies newly adopted by the Group

HKAS 1 (Revised)	Presentation of financial statements
HKAS 27 (2011)	Separate financial statements
HKFRS 10	Consolidated financial statements
HKFRS 13	Fair value measurement
HKFRS 7 (Amendments)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities

Impact of new and revised HKFRSs

The adoption of these new and revised HKFRSs had no significant financial effect on the Group's results of operation and financial position.

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 discount, for the six months ended 30 September 2013.

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

At the end of reporting period, non-current assets included property, plant and equipment with carrying amount of HK$26,000 (31 March 2013: HK$39,000) located in the PRC.

4. LOSS FROM OPERATIONS

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

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
Crediting:		
Interest income	**354**	643
Investment income	**111**	134
Rental income	**202**	105
Charging:		
Cost of properties sold	**—**	354
Depreciation	**13**	179
Operating lease payments	**2,794**	2,479
Directors' remuneration		
— Fees	**253**	300
— Salaries and allowances	**1,260**	1,260
— Retirement benefit schemes contribution	**15**	14
Staff costs (excluding directors' remuneration)		
— Salaries and allowances	**1,937**	1,930
— Retirement benefit schemes contribution	**90**	98

5. FINANCE COSTS

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
Interest expenses on convertible bond	**1,606**	1,578
Others	**3**	2
	1,609	1,580

6. TAXATION

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

	Six months ended 30 September	
	2013	2012
	HK$'000	*HK$'000*
The PRC Enterprise Income Tax		
Provision for the period	**—**	3

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 2012: nil).

Taxation on profits derived in the PRC for subsidiaries has been calculated at the rate of tax prevailing in the PRC, Enterprise Income Tax rate, of 25% (2012: 25%), which is based on existing legislation, interpretations and practices in respect thereof.

b) At the end of the reporting period, the Group had the following income tax (payable) and prepayment:

	As at 30 September 2013	As at 31 March 2013
	HK$'000	*HK$'000*
The PRC Enterprise Income Tax		
Tax payable	**(377)**	(378)
Tax prepayment	**214**	213
Net tax payable	**(163)**	(165)

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 HK$8,828,000 (six months ended 30 September 2012: loss of HK$8,240,000) and on the weighted average number of 351,258,880 (six months ended 30 September 2012: 351,258,880) ordinary 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 loss per share for both periods.

8. GOODWILL

	HK$'000
Cost	
At 1 April 2012, 31 March 2013 and 30 September 2013	25
Accumulated impairment loss	
At 1 April 2012, 31 March 2013 and 30 September 2013	(25)
Carrying amount	
At 30 September 2013	—
At 31 March 2013	—

Goodwill represents the excess of the cost of acquisition over the net fair value of the Group's acquisition of 100% interest in Ricco Mining Investment Limited together with its wholly own subsidiary Excel Profit International Investment Limited (collectively, the "Ricco Mining Group") from a related company, Ricco Energy (Holdings) Limited in 2010. The carrying amount of goodwill was allocated to the cash-generating unit ("CGU") of the Group's operations other than property development in the PRC.

The recoverable amounts of the relevant CGU have been determined on the basis of value-in-use calculations. For the purpose of impairment testing, the recoverable amount of the CGU is determined based on its fair value less cost to sell or value-in-use calculations. The key assumption has been determined by the Group's management based on the future income generated from the Ricco Mining Group. The directors are of the opinion that full impairment of goodwill is required.

9. TRADE AND OTHER RECEIVABLES

	As at 30 September 2013 *HK$'000*	As at 31 March 2013 *HK$'000*
Trade receivables	**1,191**	1,206
Less: Provision for impairment	**(1,191)**	(1,206)
Trade receivables, net of provision	**—**	—
Deposits and other receivables	**2,736**	3,042
Maximum exposure to credit risk	**2,736**	3,042
Prepayments	**200**	486
	2,936	3,528

The carrying amounts of trade and other receivables approximated their fair values as at 30 September 2013 and 31 March 2013. The Group does not hold any collateral over these balances.

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

9. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	As at 30 September 2013 *HK$'000*	As at 31 March 2013 *HK$'000*
Hong Kong dollars	**1,492**	1,768
Renminbi	**1,444**	1,760
	2,936	3,528

10. TRADE AND OTHER PAYABLES

	As at 30 September 2013 *HK$'000*	As at 31 March 2013 *HK$'000*
Trade payables	**329**	326
Other payables and accruals	**1,419**	2,489
	1,748	2,815

The carrying amounts of trade and other payables approximated their fair values as at 30 September 2013 and 31 March 2013 and were denominated in the following currencies:

	As at 30 September 2013 *HK$'000*	As at 31 March 2013 *HK$'000*
Renminbi	**898**	651
Hong Kong dollars	**850**	2,164
	1,748	2,815

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

11. CONVERTIBLE BOND

The convertible bond issued has been split as to the liability and equity component and movement of the convertible bond is as follows:

	As at 30 September 2013 *HK$'000*	As at 31 March 2013 *HK$'000*
Nominal value of the convertible bond	**68,000**	68,000
Equity component	**(5,888)**	(5,888)
Liability component		
— Liability component	**62,112**	62,112
— Interest expenses	**2,654**	2,071
Total liability component	**64,766**	64,183
Analysis into		
— Current liabilities	**2,040**	2,040
— Non-current liabilities	**62,726**	62,143
	64,766	64,183

12. APPROVAL OF THE INTERIM FINANCIAL REPORT

This interim financial report was approved by the Board of Directors on 22 November 2013.

INTERIM DIVIDEND

The Board of Directors has decided not to declare any interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded no turnover from its principal activities for the six months ended 30 September 2013 (six months ended 30 September 2012: HK$732,000). During the period under review, the Group's loss attributable to owners of the Company amounted to approximately HK$8,828,000 (six months ended 30 September 2012: HK$8,240,000) and loss per share was HK 2.51 cents (six months ended 30 September 2012: HK 2.35 cents).

At 30 September 2013, the unaudited total assets and net liabilities of the Group were HK$60,259,000 and HK$6,418,000 (31 March 2013 (audited): total assets of HK$69,826,000 and net assets of HK$2,663,000) respectively. The decrease in the Group's net asset value was mainly attributable to the decrease in cash and bank balances of approximately HK$8,188,000 which was mainly applied to finance the Group's day-to-day operations.

Business Review and Prospects

During the six months ended 30 September 2013, the Group continued the operations of property business in the People's Republic of China (the "PRC"). However, no turnover was recorded during the period under review (six months ended 30 September 2012: HK$732,000). After the Group sold all its car park units in the previous year, there only remained a gross floor area of approximately 7,985 square metres of completed commercial properties in Zouping, Shandong Province, the PRC, which was held by the Group for sale at 30 September 2013. As in prior years, the Group continued to lease out part of its commercial properties and recorded rental income of approximately HK$202,000 during the period under review (six months ended 30 September 2012: HK$105,000), which was accounted for as other revenues.

The Group has been actively and cautiously exploring suitable investment opportunities to expand its scope of operations and to diversify its business development so as to broaden its income stream. The Group continues to adopt stringent criteria in selecting investment projects manifesting sustainable growth potential. As no suitable projects have been concluded so far, the Group has not achieved great progress in its business. It is aware that the need to develop new business is imminent. The Group will try its best endeavours to capture any favourable opportunities for prudent investments in order to ensure a continuous, stable and healthy growth in the future.

Liquidity and Financial Resources

At 30 September 2013, cash and bank balances of the Group amounted to approximately HK$31,667,000 as compared to approximately HK$39,855,000 at 31 March 2013. 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$64,766,000 (31 March 2013: HK$64,183,000).

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.

The Group had capital deficiency of approximately HK$6,418,000 at 30 September 2013 (31 March 2013: equity attributable to owners of the Company of HK$2,663,000).

A wholly owned subsidiary of the Company, Benelux Property Development (Shanghai) Limited, has given undertaking to provide continuing financial support to the Company by way of declaration of dividend so as to enable the Company to continue its day-to-day operations as a viable going concern and to continue its existence for the foreseeable future. The directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and financial requirements and will continue as a going concern.

Capital Structure

At 30 September 2013, the Company's issued share capital was HK$35,125,888 (31 March 2013: HK$35,125,888) with 351,258,880 (31 March 2013: 351,258,880) ordinary shares of HK$0.10 each in issue.

At 30 September 2013, the Company had a convertible bond with an outstanding principal amount of HK$68,000,000 (the "Convertible Bond"). The Convertible Bond was issued by the Company to Loyal Delight Group Limited, an independent third party; which was subsequently amended by the parties involved pursuant to a deed of amendment with the approval of the shareholders of the Company at a special general meeting held on 18 April 2011. The Convertible Bond was so amended that its maturity date is now 7 May 2016 (the "Maturity Date"), the coupon interest rate is 3% per annum and the conversion price is HK$0.418 per share. The Company has no obligation to redeem the Convertible Bond prior to the Maturity Date unless an event of default as provided in the terms and conditions of the Convertible Bond has occurred prior to the Maturity Date and the bondholder serves a notice on the Company requiring the Convertible Bond to be redeemed.

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 2013, the total number of employees of the Group based in Hong Kong and the PRC was 23 (31 March 2013: 23).

Employees are basically remunerated based on the nature of their job and their performance as well as the prevailing market trend. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. Other employee benefits include mandatory provident fund, medical insurance coverage and share option scheme.

Charges on Group Assets

At 30 September 2013, the Group had no significant assets pledged to banks to secure general banking facilities and bank loan granted to the Group (31 March 2013: nil).

Capital Commitment and Contingent Liabilities

At 30 September 2013, the Group had no outstanding capital commitments (31 March 2013: nil) and no material contingent liabilities (31 March 2013: 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 2013. The Audit Committee currently comprises three members including two independent non-executive directors, Mr. WONG Kam Wah and Mr. LO Yuk Lam, and a non-executive director, Mr. Eduard William Rudolf Helmuth WILL.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the applicable code provisions (the "Code Provision") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the interim period, except the following deviations:

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. The Company has adopted a policy to enter into letters of appointment with the non-executive directors newly appointed or re-elected for a specific term, subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the bye-laws of the Company. Currently, Mr. Chen Yuan Shou, Budiman, a non-executive director of the Company, has not been appointed for a specific term but is subject to retirement by rotation and re-election in accordance with the Company's bye-laws. He will be re-appointed for a specific term when it comes to his turn to vacate office by rotation and be re-elected. Save for the above, all non-executive directors (including independent non-executive directors) of the Company have been appointed for a specific term, but are always subject to re-election in accordance with the Company's bye-laws.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chen Yuan Shou, Budiman, a non-executive director, and Mr. Lo Yuk Lam, an independent non-executive director, could not attend the annual general meeting of the Company held on 7 August 2013 because of other business commitments.

DIRECTORS' SECURITIES TRANSACTIONS

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 2013.

PUBLICATION OF FINANCIAL INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's interim report for the six months ended 30 September 2013 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 (http://www.hkexnews.hk) and on the Company's website (http://southeastgroup.todayir.com) in due course.

By order of the Board of
South East Group Limited
Wu Siu Chung
Chairman

Hong Kong, 22 November 2013

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. LING Kit Wah, Joseph as independent non-executive directors.