# SOUTH EAST GROUP LIMITED
# 東南國際集團有限公司

*(Incorporated in Bermuda with limited liability)*

29 July 2002

## EXPLANATORY STATEMENT

This is the explanatory statement, as required by the relevant rules set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange ("Share Buy Back Rules"), to provide requisite information to you for your consideration of the proposal to permit the repurchase of shares of HK$0.10 each in the capital of the Company ("Shares") up to a maximum of 10% of the issued share capital of the Company as at the date of ordinary resolution No. 6 ("Ordinary Resolution") referred to in the notice convening the annual general meeting of the Company dated 25 July 2002 ("Repurchase Proposal").

### 1. SHAREHOLDERS' APPROVAL

The Share Buy Back Rules provide that all on-market share repurchase made by company with its primary listing on the Stock Exchange must be of fully paid up shares and approved in advance by an ordinary resolution, either by way of a general mandate or by specific approval in relation to specific transactions.

### 2. SHARE CAPITAL

As at 29 July 2002 (the latest practicable date prior to the printing of this statement) the issued share capital of the Company comprised 330,571,880 Shares.

Subject to the passing of the Ordinary Resolution and on the basis that no further Shares are issued or repurchased prior to the annual general meeting of the Company to be held on 27 September 2002, the Company would be allowed, under the buy back mandate to repurchase a maximum of 33,057,188 Shares.

### 3. REASONS FOR REPURCHASE PROPOSAL

The directors of the Company believe that the Repurchase Proposal is in the best interests of the Company and its shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share and will only be made when the directors of the Company believe that such a repurchase will benefit the Company and its shareholders.

### 4. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and bye-laws and the applicable laws of Bermuda. The laws of Bermuda provide that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant Shares, or out of funds of the Company otherwise available for dividend or distribution or the proceeds of a fresh issue of Shares made for the purpose of the repurchase to such extent allowable under the Companies Act 1981 of Bermuda (as amended). The amount of premium payable on repurchase may only be paid out of funds of the Company otherwise available for dividend or distribution or out of the share premium account of the Company.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited consolidated accounts contained in the annual report of the Company for the year ended 31 March 2002) in the event that the proposed share repurchases were to be carried out in full at any time during the proposed repurchase period. However, the directors of the Company do not propose to exercise the buy back mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirement of the Company or the gearing levels which, in the opinion of the directors of the Company, are from time to time appropriate for the Company.

## 5. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months before the printing of this statement were as follows:

| | **Highest** | **Lowest** |
|---|---|---|
| | *HK$* | *HK$* |
| July 2001 | 0.028 | 0.021 |
| August 2001 | 0.024 | 0.014 |
| September 2001 | 0.019 | 0.012 |
| October 2001* | 0.160 | 0.100 |
| November 2001* | 0.150 | 0.095 |
| December 2001* | 0.118 | 0.100 |
| January 2002* | 0.108 | 0.094 |
| February 2002* | 0.110 | 0.096 |
| March 2002* | 0.115 | 0.072 |
| April 2002* | 0.100 | 0.081 |
| May 2002* | 0.160 | 0.100 |
| June 2002* | 0.113 | 0.094 |

* Adjustment was made subsequent to a capital reorganisation and share consolidation exercise approved by the shareholders at a special general meeting held on 24 October 2001.

## 6. DISCLOSURE OF INTERESTS

The directors of the Company have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Ordinary Resolution and in accordance with the Listing Rules and the applicable laws of Bermuda.

None of the directors of the Company nor, to the best of their knowledge having made all reasonable enquiries, their associates have any present intention to sell any Shares to the Company under the Repurchase Proposal if such is approved by the shareholders.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company or its subsidiaries, or have undertaken not to do so, in the event that the Repurchase Proposal is approved by the shareholders.

## 7. SUBSTANTIAL SHAREHOLDERS

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Proposal a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Hong Kong Code on Takeovers and Mergers (the "Takeover Code"). Accordingly, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and become obligated to make a mandatory offer in accordance with Rule 26 of the Takeover Code.

As at 29 July 2002 (being the latest practicable date prior to the printing of this statement), according to the register of interests required to be kept by the Company under Section 16(1) of the Securities (Disclosure of Interests) Ordinance of Hong Kong, the shareholders of the Company who were interested in 10% or more of the issued share capital of the Company were as follows:

| **Name** | **No. of Shares** | **Shareholding Percentage** |
|---|---|---|
| Madam CHEONG Swee Kheng | 135,182,200 | 40.9% |
| Dr Hendra RAHARDJA | 135,182,200 | 40.9% |
| Fortune Grand Investment Limited | 100,132,200 | 30.3% |

Each of Madam Cheong Swee Kheng ("Madam Cheong") and Dr Hendra Rahardja ("Dr Hendra") is deemed to directly or indirectly own a total of 135,182,200 shares representing approximately 40.9% of the issued capital of the Company. 35,050,000 shares and 98,332,200 shares are registered in the name of HKSCC Nominees Limited in trust for Madam Cheong and Fortune Grand Investment Limited ("Fortune Grand") respectively, and 1,800,000 shares are registered in the name of Fortune Grand. Madam Cheong is the wife of Dr Hendra. They are directors, and together with their another family member, wholly own the issued capital of Fortune Grand.

In the event that the directors of the Company exercise in full the power to repurchase shares in the Company in accordance with the terms of the Ordinary Resolution, the deemed interests of Madam Cheong and Dr. Hendra in the capital of the Company would be increased to approximately 45.4% and the shareholding of Fortune Grand would be increased to approximately 33.7%, the directors are aware of the obligations to make a mandatory offer in accordance with Rule 26 of the Takeover Code. If any exercise of the powers of the Company to make repurchases pursuant to the Ordinary Resolution would, to the knowledge of the directors, have a consequence giving rise to such obligations, the directors would not purchase Shares to such an extent.

## 8. SHARE REPURCHASE MADE BY THE COMPANY

The Company has not repurchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this statement.