RESULTS

The Board of Directors of South East Group Limited (the "Company") announces the unaudited condensed consolidated balance sheet of the Company and its subsidiaries (the "Group") as at 30th September 2001, and the unaudited consolidated income statement and the unaudited condensed consolidated cashflow statement for the six months ended 30th September 2001 (collectively "Unaudited Interim Financial Statements"), as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30th September 2001

	Notes	**2001** HK$'000	2000 HK$'000
Turnover	(3)	**17,784**	29,541
Cost of sales		**(13,989)**	(20,004)
Gross profit		**3,795**	9,537
Other revenue		**1,048**	1,679
Selling and distribution costs		**(2,285)**	(4,319)
Administrative expenses		**(7,008)**	(11,862)
Operating loss	(3) & (4)	**(4,450)**	(4,965)
Finance costs		**(678)**	(1,162)
Loss before taxation		**(5,128)**	(6,127)
Taxation	(5)	**–**	–
Loss attributable to shareholders		**(5,128)**	(6,127)
Interim dividend per share		**NIL**	NIL
Loss per share (HK cents)	(6)	**(0.16)**	(0.19)

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the six months ended 30th September 2001

	2001	2000
	HK$'000	*HK$'000*
Exchange differences arising on translation of the financial statements of foreign subsidiaries	**221**	(595)
Net gain/(loss) not recognised in the profit and loss account	**221**	(595)
Loss attributable to shareholders	**(5,128)**	(6,127)
Total recognised losses	**(4,907)**	(6,722)

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30th September 2001

	Notes	30th September 2001 (Unaudited) HK$'000	31st March 2001 (Audited) HK$'000
Non-current assets			
Fixed assets		**57,346**	62,034
Investment in a joint venture		**4,216**	4,216
Land acquired for development		**81,937**	80,520
		143,499	146,770
Current assets			
Inventories		**6,950**	10,298
Short-term investments		**7,080**	4,861
Accounts receivable and prepayments	(7)	**3,303**	3,513
Cash and bank balances		**27,883**	33,873
		45,216	52,545
Current liabilities			
Accounts payable and accrued charges	(8)	**4,978**	6,803
Dividend payable		**–**	64
Current portion of finance leases		**–**	16
Current portion of bank loans and overdrafts, secured		**4,764**	6,972
		9,742	13,855
Net current assets		**35,474**	38,690
Total assets less current liabilities		**178,973**	185,460

	Notes	30th September 2001 (Unaudited) HK$'000	31st March 2001 (Audited) HK$'000
Capital and reserves			
Share capital	*(2)*	**330,572**	330,572
Reserves	*(2) & (9)*	**(168,059)**	(163,152)
		162,513	167,420
Minority interests		**7,955**	7,955
Non-current liabilities			
Bank borrowings, secured		**8,505**	10,085
		178,973	185,460

CONDENSED CONSOLIDATED CASHFLOW STATEMENT (UNAUDITED)

For the six months ended 30th September 2001

	2001	2000
	HK$'000	*HK$'000*
Net cash (outflow) from operating activities	**(1,178)**	(9,924)
Net cash (outflow)/inflow from returns on investments and servicing of finance	**(281)**	172
Tax paid	**–**	(8)
Net cash (outflow) from investing activities	**(660)**	(8,726)
Net cash (outflow) before financing	**(2,119)**	(18,486)
Net cash (outflow) from financing	**(4,007)**	(3,321)
Decrease in cash and cash equivalents during the period	**(6,126)**	(21,807)
Cash and cash equivalents at beginning of the period (*)	**32,276**	55,790
Effect of foreign exchange rate changes	**(67)**	1,990
Cash and cash equivalents at the end of the period	**26,083**	35,973
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**27,883**	37,450
Bank overdrafts	**(1,800)**	(1,477)
Cash and cash equivalents at the end of the period	**26,083**	35,973

(*) Including bank overdrafts of HK$1,597,000 and HK$79,000 as at 1st April 2001 and 2000 respectively.

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(1) Principal accounting policies and basis of preparation

The Unaudited Interim Financial Statements have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice 25 "Interim Financial Reporting", and on a basis consistent with the accounting policies adopted by the Group in preparation of its financial statements for the year ended 31st March 2001.

(2) Capital Reorganisation and Share Consolidation

Pursuant to a special resolution and an ordinary resolution passed at a special general meeting of the Company held on 24th October 2001, the Proposal for Capital Reorganisation and Share Consolidation (as defined in the Circular dated 5th October 2001) was approved and the following matters, inter alia, were executed:

Capital Reorganisation

(a) the issued share capital of the Company was reduced by HK$297,514,692 from HK$330,571,880 to HK$33,057,188 by cancelling its paid up capital to the extent of HK$0.09 on each of the shares of nominal value HK$0.10.

(b) the credit of HK$297,514,692 arising from (a) above was applied towards eliminating part of the accumulated losses of the Group as at 31st March 2001 of approximately HK$390,322,000.

(c) the balance standing to the credit of the share premium account of HK$233,973,000 was reduced by HK$223,973,000 to HK$10,000,000 and the credit arising therefrom was further applied towards eliminating the remaining part of the accumulated losses as in (b) above, and the balance of approximately HK$131,165,692 was credited to the contributed surplus account of the Group.

Share Consolidation

(d) upon completion of the Capital Reorganisation, every ten issued shares of nominal value HK$0.01 was consolidated into one share.

(3) Segment information

An analysis of turnover and contribution to the Group's results by principal activity and geographical location is set out below:

(a) By principal activity:

	Turnover 6 months ended 30th September		Segment Operating (loss)/gain 6 months ended 30th September	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sales of magnetic media products	**17,784**	29,541	**(6,287)**	(3,262)
Property development	**–**	–	**1,459**	(3,003)
	17,784	29,541	**(4,828)**	(6,265)
Interest income			**378**	1,300
Operating loss before finance costs			**(4,450)**	(4,965)

(b) *By geographical location:*

	Turnover 6 months ended 30th September		Segment Operating (loss)/gain 6 months ended 30th September	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**689**	1,425	**(2,236)**	(197)
Japan	**–**	43	**–**	(15)
USA and Canada	**1,066**	12,276	**(2,459)**	(3,510)
Europe	**–**	212	**–**	(68)
People's Republic of China	**15,290**	15,507	**314**	551
Australia	**–**	–	**1,259**	(3,003)
Others	**739**	78	**(1,706)**	(23)
	17,784	29,541	**(4,828)**	(6,265)
Interest income			**378**	1,300
Operating loss before finance costs			**(4,450)**	(4,965)

(4) Operating loss

Operating loss is arrived at after crediting and charging the following:

	6 months ended 30th September	
	2001	2000
	HK$'000	HK$'000
Crediting		
Net gain on disposal of fixed assets	**536**	–
Dividend income from listed investments	**33**	17
Unrealised gain on valuation of listed investments	**31**	174
Rental income	**62**	52
Charging		
Depreciation	**3,592**	3,843

(5) Taxation

No provision for Hong Kong and overseas profits tax has been made for the six months ended 30th September 2001 as the Group has no assessable profits for the period concerned.

(6) Loss per share

The calculation of loss per share is based on the unaudited consolidated loss attributable to shareholders of HK$5,128,000 (2000: loss of HK$6,127,000) and on 3,305,718,800 (2000: 3,305,718,800) shares in issue during the period.

(7) Accounts receivable and prepayments

Included in accounts receivable and prepayments are trade debtors and their aging analysis as at 30th September 2001 is as follows:

	30th September 2001	31st March 2001
	HK$'000	*HK$'000*
Current	**372**	606
1 to 3 months	**101**	88
4 to 6 months	**22**	11
	495	705

(8) Accounts payable and accrued charges

An aging analysis of trade payables as at 30th September 2001 is set out as follows:

	30th September 2001	31st March 2001
	HK$'000	*HK$'000*
Current	**107**	196
1 to 3 months	**47**	140
4 to 6 months	**–**	94
over 6 months	**352**	85
	506	515

(9) Reserves

	30th September 2001	31st March 2001
	HK$'000	*HK$'000*
Share premium	**233,973**	233,973
Exchange reserve	**(6,582)**	(6,803)
Accumulated losses	**(395,450)**	(390,322)
	(168,059)	(163,152)

(10) Comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

(11) Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group in the preparation of the Unaudited Interim Financial Statements.

INTERIM DIVIDEND

The Directors have decided not to declare any interim dividend for the six months ended 30th September 2001 (2000: nil).

BUSINESS REVIEW AND PROSPECTS

The consolidated turnover of the Group for the six months ended 30th September 2001 amounted to HK$17,784,000, down by approximately 39.8% as compared with the corresponding period last year. Loss for the current period was HK$5,128,000, slightly improved from the loss of HK$6,127,000 recorded in the corresponding period last year.

During the period under review, the Group continued its core business in manufacturing and trading of magnetic media products. The general economic condition in Hong Kong and overseas had affected the operating results and financial performance of the Group. Having regard to the global economic climate, the Group had strived to maintain a steady turnover in the Mainland China, which remained the Group's primary market for floppy disks.

Contribution of the property development and investment business to the income and profit of the Group was very modest during the period under review. As the dispute with the vendor was over after the Group had been compensated with money and land for the deficient land size, the Group will speed up the residential development project in the Pudong district in Shanghai. It is believed that the project will be a major driving force for the Group once ignited. The Group is actively exploring options for financing the project.

Ground preparation and piling works for the residential development project in Sydney had been completed. The Group is analyzing the possibility of inviting tender for the construction of the superstructure of the residential complex.

To concentrate the Group's financial resources for developing the more promising projects, the Group disposed of part of the farming properties in Western Australia in June 2001 and recorded a net gain of approximately HK$536,000. As the residential complex in Sydney is likely to be contracted with outside builders for further development, internal manpower for supervising and monitoring the property development project will be minimized. The two residential units in Sydney acquired for providing accommodation to the Group's expatriate staff will become not necessary. The Group has informed the vendor of its intention not to proceed with the completion of the transaction for purchasing the two residential units. Such act is not expected to cause any material impact in the current financial year.

The Group's joint venture interests in the winery in Qingdao are gradually increasing through injection of assets comprising brand new production machinery and cash. In October 2001, the Group injected an additional US$500,000 by cash into the capital of the winery, further increasing its equity interests to above 32%. After that, the Group still has approximately US$890,000 to contribute so as to acquire a total of 55% interest in the registered capital of the winery. The Group will complete its injection into the capital of the winery within the first half year of 2002. Additional machinery has been procured for delivery in the first quarter of 2002. Cash will be invested to make up the remaining balance of the Group's total investment.

Despite declining rates of growth in world economies, the Mainland China continues to offer opportunities for the Group to strengthen its organization and further develop its presence there. The Group looks to the projects in the Mainland China as businesses that will lead it into the future. The Group will strengthen its efforts to increase its presence in the China market for business growth.

It is crucial to respond to market change through constant review of business performance. As such, operational restructuring will continue with an aim towards turning the Group into profitability. Following the diversification strategy, the Group will be more focused on the various projects acquired before. The Group will aim at capitalizing on those potential projects in the future.

LIQUIDITY AND FINANCIAL RESOURCES

At 30th September 2001, the Group's total shareholders' funds amounted to HK$163 million, compared with HK$167 million at 31st March 2001. Total borrowings of the Group including short term and long term interest bearing bank borrowing at 30th September 2001 were HK$13 million, compared with HK$17 million at 31st March 2001. Accordingly, the Group's gearing ratio at 30th September 2001 is 8.0%, compared with 10.0% at 31st March 2001. The Group generally finances its operation with internally generated cash flow and banking facilities provided by its principal banker in Hong Kong. The Group's cash and bank balances as at 30th September 2001 amounted to approximately HK$28 million.

EMPLOYEE INFORMATION

The Group has approximately 280 employees as at 30th September 2001. Employees are basically remunerated in accordance with the nature of the job, prevailing market trend, and their respective performance. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. In addition, training and development courses would also be provided as and when required.

DIRECTORS' INTERESTS IN SHARES

As at 30th September 2001, details of the interests of the directors and their associates in the share capital of the Company and its subsidiaries were as follows:

	Number of shares		
Name of director	Personal interests	Family interests	Corporate interests
Madam CHEONG Swee Kheng	350,500,000 *(Note 1)*	1,001,322,000 *(Note 1)*	–
Mr. LIU Kwok Wah, Martin	–	–	–
Mr. Budiman RAHARDJA	–	–	–
Ms. KEH Mei Mei	–	–	–
Ms. Herlina NURYANTI	–	–	–
Mr. CHAN Tak Yin, Daniel	–	–	–
Mr. YUEN Ping Chiu	–	–	–

Note:

1. Madam Cheong Swee Kheng ("Madam Cheong") personally holds 350,500,000 shares in the Company. She was deemed to be interested in the 1,001,322,000 shares by virtue of the fact that her husband, Dr. Hendra Rahardja ("Dr. Rahardja"), was interested in the Company's shares through his beneficial shareholding interests in Fortune Grand Investment Limited ("Fortune Grand"). Dr. Rahardja, Madam Cheong and their family member together are the beneficial owners of the entire issued share capital of Fortune Grand, of which Dr. Rahardja and Madam Cheong are directors.

Save as disclosed above and other than certain nominee shares in the subsidiaries held in trust for the Group by certain directors, at 30th September 2001, none of the directors and their associates had any interests in any shares of the Company or any of its associated corporations as defined in the Securities (Disclosure of Interests) Ordinance.

SHARE OPTION SCHEME

The Company has adopted a share option scheme, under which the directors may, at their discretion, grant options to employees of any member in the Group, to subscribe for shares not exceeding 10 per cent of the issued share capital in the Company. The share option scheme commenced on 1st July 1991 and already expired on 30th June 2001. During this period, no options have been granted under the share option scheme nor were there any share options previously granted outstanding.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2001, the following shareholders of the Company were interested in 10% or more of the issued share capital of the Company:

Name	**Number of shares**
Madam Cheong Swee Kheng	1,351,822,000 *(Note 1)*
Dr. Hendra Rahardja	1,351,822,000 *(Note 1)*
Fortune Grand Investment Limited	1,001,332,000 *(Note 1)*

Note:

1. These shareholdings are duplicated and refer to the same parcel of shares as set out in Note 1 to the section headed "Directors' Interests in Shares" above.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the Securities (Disclosure of Interests) Ordinance.

CODE OF BEST PRACTICE

During the six months ended 30th September 2001, none of the directors is aware of information that would reasonably indicate that the Company was not in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. In compliance with the Code of Best Practice, the Company has established an Audit Committee with written terms of reference.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of its shares during the six months ended 30th September 2001.

CHANGE OF DIRECTOR

Mr. Cahyadi Kumala Kwee ("Mr. Kwee") resigned as a non-executive director of the Company on 5th September 2001 and Mr. Budiman Rahardja was appointed as an executive director of the Company with effect from 12th September 2001.

The directors would like to express their sincere gratitude to Mr. Kwee for his valuable contribution and support to the Group during his term of office.

By order of the Board
Cheong Swee Kheng
Chairperson

21st December 2001