RESULTS

The Board of Directors of South East Group Limited (the "Company") announces the unaudited condensed consolidated income statement, the unaudited consolidated statement of changes in equity and the unaudited condensed consolidated cashflow statement for the six months ended 30 September 2002, and the unaudited condensed consolidated balance sheet of the Company and its subsidiaries (the "Group") as at 30 September 2002 (collectively "Unaudited Interim Financial Statements"), as follows:

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30 September 2002

	Notes	2002 HK$'000	2001 HK$'000
Turnover	(3)	**41,317**	17,784
Cost of sales		**(34,076)**	(13,989)
Gross profit		**7,241**	3,795
Other revenue		**6**	1,048
Selling and distribution costs		**(2,611)**	(2,285)
Administrative expenses		**(15,245)**	(7,008)
Operating loss	(3)&(4)	**(10,609)**	(4,450)
Finance costs	(5)	**(232)**	(678)
Loss before taxation		**(10,841)**	(5,128)
Taxation	(6)	**–**	–
Loss attributable to shareholders		**(10,841)**	(5,128)
Interim dividend per share		**NIL**	NIL
Loss per share (HK cents)	(7)	**(3.28)**	(1.60)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 September 2002

	Share capital	Share premium	Contributed surplus account	Exchange reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 April 2002 (Unaudited)	33,057	10,000	131,166	(5,030)	(18,408)	150,785
Translation difference	–	–	–	257	–	257
Loss for the period	–	–	–	–	(10,841)	(10,841)
Balance at 30 September 2002	33,057	10,000	131,166	(4,773)	(29,249)	140,201
Balance at 1 April 2001 (Unaudited)	330,572	233,973	–	(6,803)	(390,322)	167,420
Translation difference	–	–	–	221	–	221
Loss for the period	–	–	–	–	(5,128)	(5,128)
Balance at 30 September 2001	330,572	233,973	–	(6,582)	(395,450)	162,513

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 September 2002

	Notes	30 September 2002 (Unaudited) HK$'000	31 March 2002 (Audited) HK$'000
Non-current assets			
Fixed assets		**45,353**	47,884
Investment in a joint venture		**7,512**	7,512
Land acquired for development		**59,849**	82,494
		112,714	137,890
Current assets			
Inventories		**7,395**	6,612
Short-term investments		–	1,522
Accounts receivable and prepayments	*(8)*	**8,176**	2,852
Cash and bank balances		**41,389**	27,786
		56,960	38,772
Current liabilities			
Accounts payable and accrued charges	*(9)*	**12,227**	5,105
Current portion of bank loans and overdrafts, secured		**4,149**	6,030
		16,376	11,135
Net current assets		**40,584**	27,637
Total assets less current liabilities		**153,298**	165,527
Capital and reserves			
Share capital	*(2)&(10)*	**33,057**	33,057
Reserves	*(2)*	**107,144**	117,728
		140,201	150,785
Minority interests		**7,955**	7,955
Non-current liabilities			
Bank borrowings, secured		**5,142**	6,787
		153,298	165,527

CONDENSED CONSOLIDATED CASHFLOW STATEMENT (UNAUDITED)

For the six months ended 30 September 2002

	2002 HK$'000	2001 HK$'000
Net cash inflow from operating activities	**22,049**	1,770
Net cash (outflow) from investing activities	**(1,517)**	(660)
Net cash (outflow) from financing	**(1,578)**	(4,007)
Increase/(Decrease) in cash and cash equivalents during the period	**18,954**	(2,897)
Cash and cash equivalents at beginning of the period (*)	**19,410**	26,036
Effect of foreign exchange rate changes	**(935)**	(67)
Cash and cash equivalents at end of the period	**37,429**	23,072
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**41,389**	27,883
Bank overdrafts	**(893)**	(1,800)
Bank deposit pledged	**(3,067)**	(3,011)
	37,429	23,072

(*) Including bank overdrafts of HK$2,841,000 and HK$1,597,000 as at 1 April 2002 and 1 April 2001 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 Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). They should be read in conjunction with the 2002 annual accounts.

The accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2002 except for the adoption of the following revised and new SSAPs which are effective for accounting periods commencing on or after 1 January 2002.

SSAP 1 (Revised)	:	Presentation of financial statements
SSAP 11 (Revised)	:	Foreign currency translation
SSAP 15 (Revised)	:	Cash flow statements
SSAP 25 (Revised)	:	Interim financial reporting
SSAP 34	:	Employee benefits

The changes in the Group's accounting policies resulting from the adoption of these new practices are set out below:

(a) SSAP 1 (revised) : Presentation of financial statements

The consolidation statement of recognised gains and losses is replaced by the consolidated statement of changes in equity.

(b) SSAP 15 (revised) : Cash flow statements

The presentation and classification of items in the cash flow statement have been changed due to the adoption of SSAP 15 (revised). As a result, cash flow during the period has been reclassified by operating, investing and financing activities. For the six months ended 30 September 2002, dividend and interest received of HK$71,000 (2001: HK$281,000) have been reclassified as investing cash flow.

(2) Capital Reorganisation and Share Consolidation

Pursuant to a special resolution passed at a special general meeting of the Company held on 24 October 2001, the issued share capital of the company decreased from HK$330,571,880 to HK$33,057,188 by carrying out (i) the Capital Reorganisation Scheme and (ii) the Share Consolidation Scheme. The details of the Capital Reorganisation Scheme and the Share Consolidation Scheme are as follows:

(i) Capital Reorganisation Scheme

(a) the nominal value of each of the ordinary shares in issue before the Capital Reorganisation was reduced by HK$0.09 from HK$0.10 to HK$0.01 (the Reduction of Capital) and the nominal value of each of the authorised but unissued ordinary shares was subdivided into 10 unissued ordinary shares of HK$0.01 each (the Subdivision of Capital). The authorised share capital of the Company immediately preceding the implementation of the Capital Reorganisation Scheme was HK$400,000,000 comprising 4,000,000,000 ordinary shares of HK$0.10 each, of which 3,305,718,800 ordinary shares were in issue and credited as fully paid. On the basis of 3,305,718,800 ordinary shares in issue, at the time of the Reduction of Capital, a credit of HK$297,514,692 arised as a result of the Reduction of Capital pursuant to the Capital Reorganisation Scheme and the issued share capital of the company was reduced from HK$330,571,880 to HK$33,057,188. Upon completion of the Reduction of Capital and Subdivision of Capital, the authorised share capital of the Company remained at HK$400,000,000, with 40,000,000,000 ordinary shares of HK$0.01 each, of which 3,305,718,800 ordinary shares were in issue and credited as fully paid with 36,694,281,200 as unissued ordinary shares;

(b) the credit of HK$297,514,692 arising as a result of the Capital Reorganisation was applied towards eliminating part of the accumulated losses of the Group which stood at approximately HK$390,322,000 at 31 March 2001; and

(c) the balance of the share premium account which stood at approximately HK$233,973,000 at the time of implementation of the Capital Reorganisation Scheme 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 of the Group at 31 March 2001 from (b) above. Having fully eliminated all accumulated losses, the balance of approximately HK$131,166,000 was then credited to the Contributed Surplus Account of the Group.

(ii) Share Consolidation Scheme

Upon the completion of the Capital Reorganisation Scheme, a consolidation of the ordinary shares was effected pursuant to which every 10 issued and unissued ordinary shares were consolidated into 1 ordinary share. Immediately following the implementation of the Share Consolidation Scheme, the authorised share capital of the Company remained at HK$400,000,000 comprising 4,000,000,000 ordinary shares of HK$0.10 each of which 330,571,880 ordinary shares were in issue and credited as fully-paid.

(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 Six months ended 30 September		**Segment Results Six months ended 30 September**	
	2002 HK$'000	2001 HK$'000	**2002 HK$'000**	2001 HK$'000
Sales of magnetic media products	**12,418**	17,784	**(11,611)**	(6,287)
Property development	**28,899**	–	**996**	1,459
	41,317	17,784	**(10,615)**	(4,828)
Other revenue			**6**	378
Operating loss before finance costs			**(10,609)**	(4,450)

(3) Segment information *(continued)*

(b) By geographical location

	Turnover Six months ended 30 September		Segment Results Six months ended 30 September	
	2002 HK$'000	2001 HK$'000	**2002 HK$'000**	2001 HK$'000
Hong Kong	**162**	689	**(1,449)**	(2,236)
USA and Canada	**1,252**	1,066	**(2,823)**	(2,459)
People's Republic of China	**10,056**	15,290	**(5,486)**	314
Australia	**28,963**	–	**1,019**	1,259
Others	**884**	739	**(1,876)**	(1,706)
	41,317	17,784	**(10,615)**	(4,828)
Other revenue			**6**	378
Operating loss before finance costs			**(10,609)**	(4,450)

(3) Segment information *(continued)*

(c) Financial positions

	2002 HK$'000	2001 HK$'000
Assets		
Segment assets		
Sales of magnetic media products	**28,036**	49,739
Property development	**70,580**	84,056
Other revenue	**3,920**	10,788
Unallocated corporate assets	**67,138**	44,132
	169,674	188,715
Liabilities		
Segment liabilities		
Sales of magnetic media products	**12,394**	6,754
Property development	**659**	24
Other revenue	**67**	–
Unallocated corporate liabilities	**8,398**	11,469
	21,518	18,247
Net Assets	**148,156**	170,468

(4) Operating loss

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

	For six months period ended 30 September	
	2002	2001
	HK$'000	HK$'000
Crediting		
Net gain on disposal of fixed asset	**–**	536
Dividend income from listed investments	**23**	33
Unrealised gain on valuation of listed investments	**–**	31
Rental income	**59**	62
Charging		
Depreciation	**2,694**	3,592
Retirement benefit costs	**254**	165
Staff costs (excluding directors' remuneration)	**3,645**	4,906
Compensation to former directors for loss of office	**7,042**	–
Loss on disposal of listed investments	**124**	–

(5) Finance costs

During the period, interest of HK$232,000 (2001: HK$678,000) was charged in respect of the Group's bank borrowings.

(6) Taxation

No provision for Hong Kong and overseas profits tax has been made for the 6 months ended 30 September 2002 as the Group has no assessable profits for the period concerned.

(7) Loss per share

The calculation of loss per share is based on the unaudited consolidated loss attributable to shareholders of HK$10,841,000 (2001: loss of HK$5,128,000) and on 330,571,880 (2001: 330,571,880) shares in issue during the period on the assumption that the capital reorganisation as described in Note (2) would have been completed in the financial period ended 30 September 2001. The Company has no potential dilutive ordinary shares that were outstanding during the two periods ended 30 September 2002 and 30 September 2001.

(8) Accounts receivable and prepayments

Included in accounts receivable and prepayments are trade debtors and their aging analysis as at 30 September 2002 is as follows:

	30 September 2002 HK$'000	31 March 2002 HK$'000
Less than 30 days	**4,402**	125
1 to 3 months	**584**	34
	4,986	159

(9) Accounts payable and accrued charges

An aging analysis of trade payables as at 30 September 2002 is set out as follows:

	30 September 2002 HK$'000	31 March 2002 HK$'000
Less than 30 days	**118**	154
1 to 3 months	**71**	132
Over 3 months	**81**	146
	270	432

(10) Share capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 30 September 2002 and 31 March 2002	4,000,000,000	400,000
Issued and fully paid:		
At 30 September 2002 and 31 March 2002	330,571,880	33,057

(11) Capital commitments

At 30 September 2002, the Group had the following capital commitments:

	30 September 2002 HK$'000	31 March 2002 HK$'000
Capital expenditure in respect of contracted commitment for:		
construction of residential property in Pudong, Shanghai	**44,792**	–
capital contribution to an assoicate	**3,471**	–
	48,263	–

(12) Pledge of assets

At 30 September 2002, the Group has pledged certain assets as listed below to secure the general banking facilities and bank mortgage loans granted to the Group:

	30 September 2002 HK$'000	31 March 2002 HK$'000
Bank deposits	**3,067**	5,535
Land and buildings at net book value	**32,994**	33,336

(13) Comparative figures

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

(14) Approval of the interim financial report

This interim financial report was approved by the Board of Directors on 19 December 2002.

BUSINESS REVIEW

For the six months ended 30 September 2002, the Group's core business of magnetic media products was augmented by the property development and investment business, with the former business accounting for 30% of total turnover and the latter 70%. This was a critical development for the Group in its business strategy; given the property development and investment projects could bring forth a better return to the Group.

During the period under review, the Group sold its residential property project in Sydney and part of the farming properties in Western Australia. The Group further concluded a deal for the disposal of the remaining farming properties in Western Australia, with the completion to take place in March 2003.

In the People's Republic of China (the "PRC"), the pace of development of real estate projects in Pudong, Shanghai was accelerated during the period under review. The Group's development project in Shanghai consists of 39,546 square metres of residential area and 3,000 square metres of commercial area. Pre-sale of the units in the buildings of these development projects is scheduled for the second quarter of 2003.

The Group has established a niche market for its magnetic media products business. The PRC remained the Group's largest market for this business division. The Group's expertise and nationwide distribution network in this market provides a competitive edge.

For the Group's investment in the joint venture winery in Qingdao, the Group attained an equity interest of 55% in the registered capital after the final stage of cash injection completed in December 2002. The cash injection was intended for use in product promotion and the expansion of the distribution network of grape wine in the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover

For the six months ended 30 September 2002, the Group achieved a turnover of HK$41,317,000, representing an increase of approximately 132% as compared to HK$17,784,000 for the corresponding period last year. The increase in the Group's turnover was mainly contributed by the property development and investment business.

Profitability

In terms of operating result, the Group achieved improvement over the previous year. However, after making a provision for a one-off compensation payment of HK$7 million to certain departed directors, the Group recorded a loss of HK$10.6 million for the six months under review, as compared to the loss of HK$4.5 million for the same period last year.

Of the loss for the six months period of the current year, the property development and investment business generated profit of about HK$1 million, as compared to the HK$1.5 million profit for the same period in the previous year. The magnetic media products business generated a loss of HK$11.6 million for the current period, as compared to the HK$6.3 million loss for the same period in the previous year.

Liquidity and Financial Resources

At 30 September 2002, the Group's total shareholders' funds amounted to HK$140 million, compared with HK$151 million at 31 March 2002. Total borrowings of the Group, including short term and long term interest bearing bank borrowing, at 30 September 2002 were HK$9,291,000, compared with HK$12,817,000 at 31 March 2002. Accordingly, the Group's gearing ratio at 30 September 2002 was 6.6%, compared with 8.5% at 31 March 2002. 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 30 September 2002 amounted to approximately HK$41 million.

Employee Information

The Group had approximately 230 employees for its operations in Hong Kong and the PRC as at 30 September 2002. 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.

Charges on Group Assets

At 30 September 2002, the Group has pledged certain assets including bank deposits, land and building with an aggregate net book value of HK$36,061,000 (at 31 March 2002: HK$38,871,000) to secure the general banking facilities and bank mortgage loans granted to the Group.

INTERIM DIVIDEND

The Directors have decided not to declare any interim dividend for the six months ended 30 September 2002 (2001: nil).

FUTURE PROSPECT

The Group's management will continue to direct its strategy to developing the PRC markets. The PRC is one of the few countries that have sustained growth amid the slumping global economies. With its remarkable growth resulting in an increasing size of the middle-class population, management believes that this segment of the population will fuel the demands for the Group's products in the future. In the coming year, management will continue to explore new opportunities in the PRC.

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2002, 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**
Mr. Budiman RAHARDJA	1	–	–
Ms. Herlina NURYANTI	10	–	–
Ms. CHEN Lee Mui	–	–	–
Mr. CHEN Zhi Yung	–	–	–
Mr. LO Yuk Lam	–	–	–
Madam CHEONG Swee Kheng *(resigned on 27 September 2002)*	36,850,000	98,332,200 *(note 1)*	–
Mr. LIU Kwok Wah, Martin *(resigned on 27 September 2002)*	1	–	–
Mr. YUEN Ping Chiu *(resigned on 27 September 2002)*	–	–	–
Ms. KEH Mei Mei *(resigned on 15 May 2002)*	–	–	–

Note:

1. Madam CHEONG Swee Kheng personally held 36,850,000 shares in the Company. She was deemed to be interested in the 98,332,200 shares by virtue of the fact that her husband, Dr. Hendra RAHARDJA, was interested in the Company's shares through his beneficial shareholding interests in Fortune Grand Investment Limited.

Save as disclosed above and other than certain nominee shares in the subsidiaries held in trust for the Group by certain directors, at 30 September 2002, 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, the following shareholders of the Company were interested or taken or deemed to be interested in 10 per cent or more of the nominal value of the issued share capital of the Company:

Name	**Number of shares**
Madam CHEONG Swee Kheng	135,182,200 *(note 1)*
Dr. Hendra RAHARDJA	135,182,200 *(note 1)*
Fortune Grand Investment Limited	98,332,200 *(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.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 September 2002.

CODE OF BEST PRACTICE

During the six months ended 30 September 2002, 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.

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 30 September 2002.

CHANGE IN DIRECTORATE

Mr. Budiman RAHARDJA was elected as the new chairman of the board of directors of the Company on 24 September 2002. Ms. CHEN Lee Mui and Mr. CHEN Zhi Yung were appointed as non-executive directors of the Company on 24 September 2002. Mr. KWAN Kei Chor, Samuel and Mr. WONG Kam Wah, Anthony were appointed as an executive director and an independent non-executive director of the Company respectively on 1 December 2002.

Ms. KEH Mei Mei resigned as a non-executive director of the Company on 15 May 2002. The resignations of Madam CHEONG Swee Kheng and Mr. LIU Kwok Wah, Martin, each as an executive director, and Mr. YUEN Ping Chiu as an independent non-executive director, took effect from 27 September 2002.

The Directors would like to express their sincere gratitude to the resigned directors for their valuable contribution and support to the Group during their terms of office. The Directors would also like to welcome the new directors for joining the Group.

By order of the Board
Budiman RAHARDJA
Chairman

Hong Kong, 19 December 2002