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

(Incorporated in Bermuda with limited liability)
(Stock Code: 726)

TERMINATION OF MAJOR TRANSACTION MAJOR TRANSACTION INVOLVING THE ENTERING INTO OF THE NEW COOPERATION FOR DEVELOPMENT AGREEMENT AND RESUMPTION OF TRADING

Reference is made to the Company's announcement dated 30 June 2006 relating to the major transaction involving the entering into of the Cooperation for Development Agreement and its announcement dated 21 July 2006 relating to the delay in dispatch of major transaction circular. As mentioned in the Company's announcement dated 21 July 2006, the Investor proposed to revise certain terms of the Cooperation for Development Agreement subsequent to its execution. As no agreement could be reached between the Investor and South East Property (Shandong) to revise the terms of the Cooperation for Development Agreement before the close of business on 31 July 2006 (as determined by the parties involved), the parties thereto mutually agreed verbally to terminate the Cooperation for Development Agreement on 31 July 2006. On 31 July 2006, subsequent to the termination of the Cooperation for Development Agreement and after the trading hours, the New Cooperation for Development Agreement (the terms and conditions of which are principally based on the Cooperation for Development Agreement) was entered into between South East Property (Shandong) and the New Investor. Pursuant to the New Cooperation for Development Agreement, the PRC JV Company (to be equally owned by South East Property (Shandong) and the New Investor) shall be established for the purpose of developing the Property for residential purpose. By satisfying South East Property (Shandong) with a cash consideration of RMB14,100,000 by the New Investor according to the payment terms as set out in the New Cooperation for Development Agreement, and upon completion of transferring the title to the Property from South East Property (Shandong) to the PRC JV Company, the PRC JV Company shall have the right to develop the Property and shall be entitled to all the profits attributable to the Property thereafter. After the New Investor has satisfied the consideration of RMB14,100,000 in full, South East Property (Shandong) shall transfer its 50% equity interest in the PRC JV Company to a transferee as specified by the New Investor.

The entering into of the New Cooperation for Development Agreement and the transactions contemplated thereunder constitute a major transaction of the Company pursuant to Rule 14.06(3) of the Listing Rules and are subject to approval by the Shareholders in the SGM. A circular containing, amongst other things, further details relating to the New Cooperation for Development Agreement, information regarding the Group, valuation report on the Property, together with a notice convening the SGM will be dispatched to the Shareholders as soon as practicable.

At the request of the Company, trading in shares of the Company on the Stock Exchange was suspended from 9:30 a.m. on 2 August 2006 pending the release of this announcement. The Company has applied for resumption of trading of its shares on the Stock Exchange with effect from 9:30 a.m. on 7 August 2006.

Reference is made to the Company's announcement dated 30 June 2006 relating to the major transaction involving the entering into of the Cooperation for Development Agreement and its announcement dated 21 July 2006 relating to the delay in dispatch of major transaction circular.

TERMINATION OF THE COOPERATION FOR DEVELOPMENT AGREEMENT

As mentioned in the Company's announcement dated 21 July 2006, the Investor proposed to revise certain terms of the Cooperation for Development Agreement subsequent to its execution. Accordingly, the Investor withheld payment of the deposit of RMB300,000 as stipulated in the Cooperation for Development Agreement. As no agreement could be reached between the Investor and South East Property (Shandong) to revise the terms of the Cooperation for Development Agreement before the close of business on 31 July 2006 (as determined by the parties involved), the parties thereto mutually agreed verbally to terminate the Cooperation for Development Agreement on 31 July 2006. Pursuant to the Cooperation for Development Agreement, South East Property (Shandong) will serve a written notice (no later than 5 August 2006) to the Investor for the termination of the Cooperation for Development Agreement. At the present stage, the Directors are not aware of any liability arising from the termination of the Cooperation for Development Agreement and hence do not anticipate that there will be any claim against any parties to the Cooperation for Development Agreement. On 31 July 2006, subsequent to the termination of the Cooperation for Development Agreement and after the trading hours, the New Cooperation for Development Agreement (the terms and conditions of which are principally based on the Cooperation for Development Agreement) was entered into between South East Property (Shandong) and the New Investor.

Pursuant to Rule 14.37 of the Listing Rules, the Company is required to request a suspension of trading of its shares on the Stock Exchange after the New Cooperation for Development Agreement (which constitutes a major transaction of the Company) has been signed pending the publication of this announcement. As the New Cooperation for Development Agreement could be executed in any number of counterparts, South East Property (Shandong) and the New Investor signed their counterparts respectively on 31 July 2006 (after the trading hours). The counterpart signed by the New Investor and dated 31 July 2006 was only received by South East Property (Shandong) on 1 August 2006 during the morning trading session. The Company went through certain procedures to verify the entering into of the New Cooperation for Development Agreement after receiving its facsimile copy from South East Property (Shandong) on 1 August 2006. As such, the Company did not request for a suspension of trading of its shares on the Stock Exchange on 1 August 2006. Despite of this, the Company will review its internal control procedures to ensure compliance with the requirements of the Listing Rules.

THE NEW COOPERATION FOR DEVELOPMENT AGREEMENT

Date of agreement: 31 July 2006

The Parties:

1. South East Property (Shandong) Limited (東南(山東)置業有限公司), a company incorporated in the PRC and is a wholly owned subsidiary of the Company. Its principal business activity is property development and investment in the PRC.

2. Mr. Huang Jian Rong (黃建榮), an individual who is a PRC citizen and, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is a third party independent of the Company and connected persons (as defined under the Listing Rules) of the Company, and is not related to the Investor.

General Nature of the Transaction:

Pursuant to the New Cooperation for Development Agreement, the PRC JV Company (to be equally owned by South East Property (Shandong) and the New Investor) shall be established for the purpose of developing the Property for residential purpose. As consulted with the local governmental authorities, the formation of the PRC JV Company will facilitate the transfer of title to the Property from South East Property (Shandong) to the PRC JV Company. The proposed registered capital of the PRC JV Company will be approximately RMB10 million and the proposed total investment will be approximately RMB40 million. Under the New Cooperation for Development Agreement, the New Investor will be fully responsible for providing working capital to meet with the requirements of the PRC JV Company, while South East Property (Shandong) is only required to inject the Property into the PRC JV Company. The PRC JV Company will be equally owned by South East Property (Shandong) and the New Investor, notwithstanding that the contribution to be made by the respective partners are not in proportion to their shareholdings. As detailed below, South East Property (Shandong) will consequently transfer its 50% equity interest in the PRC JV Company to a transferee as specified by the New Investor and will not bear any risk of the PRC JV Company for the development of the Property. In the opinion of the Directors, the arrangement of capital injection and shareholding structure will facilitate the implementation of the New Cooperation for Development Agreement and the transactions contemplated thereunder.

After the formation of the PRC JV Company, title to the Property shall be transferred from South East Property (Shandong) to the PRC JV Company. The development of the Property will be carried out by the PRC JV Company. It is proposed that the New Investor will arrange for the required funds for the development of the Property under the New Cooperation for Development Agreement. Save as mentioned above, South East Property (Shandong) does not have any commitment to provide any funding to the PRC JV Company under the New Cooperation for Development Agreement. By satisfying South East Property (Shandong) with a cash consideration of RMB14,100,000 by the New Investor according to the payment terms as set out in the New Cooperation for Development Agreement, and upon completion of transferring the title to the Property from South East Property (Shandong) to the PRC JV Company, the PRC JV Company shall have the right to develop the Property and shall be entitled to all the profits attributable to the Property thereafter. After the New Investor has satisfied the consideration of RMB14,100,000 in full, South East Property (Shandong) shall transfer its 50% equity interest in the PRC JV Company to a transferee as specified by the New Investor. As confirmed by the local governmental authorities with South East Property (Shandong), the transfer of 50% equity interest in the PRC JV Company from South East Property (Shandong) to a transferee as specified by the New Investor will be legally valid and the New Cooperation for Development Agreement and the transactions contemplated thereunder comply with the regulations of the governing authorities. Before the New Investor has satisfied the consideration of RMB14,100,000 in full, each of South East Property (Shandong) and the New Investor will nominate a representative to the PRC JV Company and the assets (including the company stamp and the finance stamp) of the PRC JV Company will be placed in the custody of these representatives. Such arrangement is to protect the interest of South East Property (Shandong) before the consideration is fully satisfied.

Consideration: RMB14,100,000, which was arrived at after arm's length negotiations between the parties on normal commercial terms by reference to the prevailing market conditions. In arriving at the consideration, the Directors have taken into account market prices of similar properties in the proximity, a preliminary estimation of the market value of the Property (despite that a valuation report on the Property prepared by an independent third party is as yet to be received), and the Cooperation for Development Agreement.

Payment terms: The consideration has been or shall be paid by the New Investor to South East Property (Shandong) in cash in the following manner:

(i) RMB300,000 has been paid by banker's draft upon signing of the New Cooperation for Development Agreement as deposit;

(ii) RMB6,000,000 shall be paid upon completion of transferring the title to the Property from South East Property (Shandong) to the PRC JV Company; and

(iii) the balance of RMB7,800,000 shall be paid in 10 days upon obtaining of financing by the New Investor (after pledging the Property by the PRC JV Company, which will require approval of the shareholders of the PRC JV Company) or in 10 months upon completion of transferring the title to the Property from South East Property (Shandong) to the PRC JV Company, whichever is earlier.

Conditions precedent: The New Cooperation for Development Agreement is conditional upon fulfillment of the following conditions:

(a) the approval of the Shareholders at the SGM, which is expected to be held as soon as practicable pursuant to the Listing Rules to approve the New Cooperation for Development Agreement and transactions contemplated thereunder; and

(b) all necessary consents and approvals being obtained from Zouping Administration for Industry and Commerce (鄒平縣工商行政管理局) for approving the formation of the PRC JV Company and from Zouping Bureau of Land and Resources (鄒平縣國土資源局) for transferring title to the Property from South East Property (Shandong) to the PRC JV Company. Whereas the transfer of 50% equity interest in the PRC JV Company from South East Property (Shandong) to a transferee as specified by the New Investor will be legally valid as confirmed by the local governmental authorities with South East Property (Shandong).

Pursuant to the New Cooperation for Development Agreement, if the above conditions are not fulfilled in the course of implementing the New Cooperation for Development Agreement, the New Cooperation for Development Agreement shall terminate and neither party shall have any claim against the other and South East Property (Shandong) shall refund all deposits paid by the New Investor without accruing interest, notwithstanding that no long stop date is specified. South East Property (Shandong) will have duly fulfilled its liability under the New Cooperation for Development Agreement after the transfer of title to the Property from South East Property (Shandong) to the PRC JV Company. South East Property (Shandong) will assist in applying to Zouping Administration for Industry and Commerce (鄒平縣工商行政管理局) for transferring its 50% equity interest in the PRC JV Company to a transferee as specified by the New Investor. However, there is not any term in the New Cooperation for Development Agreement that entitles the New Investor to claim against South East Property (Shandong) if the former may encounter any problems in transferring 50% equity interest in the PRC JV Company from South East Property (Shandong) to a transferee as specified by the New Investor pursuant to the New Cooperation for Development Agreement and the transactions contemplated thereunder.

Termination:	Except for the conditions precedent stated above, the New Cooperation for Development Agreement once entered into could not be cancelled without the mutual agreement of the parties thereto. The party who defaults shall compensate the other party for the loss incurred (any disputes may be referred to Jinan Intermediate People's Court) and an additional 10% on the loss incurred as penalty.

INFORMATION ON THE PROPERTY

The Property is a vacant site of a gross land area of approximately 34,116.96 square metres situated at Zouping Economic Development Zone (鄒平經濟開發區), Zouping County, Shandong Province, the PRC for residential development purpose. The Property forms part of a piece of land with a gross area of approximately 44,408.96 square metres which was acquired by the Group on 23 February 2005 at a consideration of approximately RMB15,292,700 for real estate development, whereas it was contemplated that the property transactions under such development project would be of a revenue nature in the ordinary and usual course of business of the Group. The Company made disclosure of such acquisition by its announcements dated 6 January 2005 and 24 February 2005 respectively. Title to the acquired land was subdivided into two according to its different usage. Accordingly, certificates of Land Use Right were duly issued by Zouping Bureau of Land and Resources (鄒平縣國土資源局) to South East Property (Shandong) on 23 May 2005 respectively for the Property for residential use and its adjacent land of 10,292 square metres for commercial use. Certain commercial properties are under construction on this adjacent land. The development has been carrying out by South East Property (Shandong). No construction has been started on the Property yet, so no revenue or profit has been derived from the Property since its acquisition.

The audited net book value of the Property as at 31 March 2006 was approximately RMB11,970,000.

Based on the consideration under the New Cooperation for Development Agreement, the Directors estimate that the transaction will result in a gain of approximately RMB2,130,000 before expenses.

REASONS FOR THE NEW COOPERATION FOR DEVELOPMENT AGREEMENT

The Directors believe that it is to the benefit of the Group to enter into the New Cooperation for Development Agreement to realize the value of its investment in the Property and to create additional liquidity to meet with the Group's future business needs. Having regard to the terms and consideration offered by the New Investor and the expected gain arising therefrom, the Directors believe that the terms of the New Cooperation for Development Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The net proceeds from the proposed transaction will be used as the Group's general working capital.

GENERAL

The Company is an investment holding company with its subsidiaries are principally engaged in property development and investment, manufacturing and trading of data storage media products, manufacturing and trading of grape wine and other strategic investment projects.

The entering into of the New Cooperation for Development Agreement and the transactions contemplated thereunder constitute a major transaction of the Company pursuant to Rule 14.06(3) of the Listing Rules and is therefore subject to approval by the Shareholders in the SGM. So far as is known to the Directors, no

Shareholder has a material interest in the proposed transaction and accordingly no Shareholder is required to abstain from voting at the SGM to approve the entering into of the New Cooperation for Development Agreement and the transactions contemplated thereunder.

A circular containing, amongst other things, further details relating to the New Cooperation for Development Agreement, information regarding the Group, valuation report on the Property, together with a notice convening the SGM will be dispatched to the Shareholders as soon as practicable.

At the request of the Company, trading in shares of the Company on the Stock Exchange was suspended from 9:30 a.m. on 2 August 2006 pending the release of this announcement. The Company has applied for resumption of trading of its shares on the Stock Exchange with effect from 9:30 a.m. on 7 August 2006.

DEFINITIONS

"Board"	the board of Directors
"Company"	South East Group Limited, a company incorporated in Bermuda with limited liability whose shares are listed on the Stock Exchange
"Cooperation for Development Agreement"	the cooperation for development agreement entered into between South East Property (Shandong) and the Investor on 26 June 2006
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Investor"	Mr. Wang Bing Rong (王炳榮), an individual who is a PRC citizen and, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is a third party independent of the Company and connected persons (as defined under the Listing Rules) of the Company.
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange
"New Cooperation for Development Agreement"	the cooperation for development agreement entered into between South East Property (Shandong) and the New Investor on 31 July 2006
"New Investor"	Mr. Huang Jian Rong (黃建榮), an individual who is a PRC citizen and, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is a third party independent of the Company and connected persons (as defined under the Listing Rules) of the Company, and is not related to the Investor.
"PRC"	the People's Republic of China
"PRC JV Company"	A joint venture to be incorporated in Zouping County, Shandong Province, the PRC, to be equally owned by South East Property (Shandong) and the New Investor, for developing the Property for residential purpose

"Property"	A vacant site of a gross land area of approximately 34,116.96 square metres situated at Zouping Economic Development Zone (鄒平經濟開發區), Zouping County, Shandong Province, the PRC for residential development purpose
"SGM"	the special general meeting of the Company to be convened to approve the New Cooperation for Development Agreement and the transactions contemplated thereunder
"Shareholder(s)"	registered holder(s) of the shares of the Company
"South East Property (Shandong)"	South East Property (Shandong) Limited (東南(山東)置業有限公司), a company incorporated in the PRC and a wholly owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"RMB"	Renminbi, the lawful currency of the PRC
"%"	Per cent.

By order of the Board
Budiman Rahardja
Chairman

4 August 2006

The directors of the Company as at the date of this announcement are Mr. Budiman Rahardja (Chairman) as executive director; Mr. Chen Zhi Yung as non-executive director; and Mr. Lo Yuk Lam, Mr. Wong Kam Wah and Mr. Ng Chun Hung, Lawrence as independent non-executive directors.

If there is any inconsistency between the Chinese names of the PRC entities and their English translations, the Chinese version shall prevail.

* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.