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SOUTH EAST GROUP LIMITED

(東南國際集團有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 726)

ANNOUNCEMENT

MAJOR TRANSACTION RELATING TO SUBSCRIPTION FOR GUARANTEED NOTE AND THE ENTERING INTO OF THE STRATEGIC COOPERATION FRAMEWORK AGREEMENT

The Board is pleased to announce that on 23 April 2015, the Company entered into the Note Subscription Agreement with Mingzhu Construction Engineering Group (Hong Kong) Limited*, as the Issuer, and Mingzhu Construction Engineering Co., Ltd.*, as the Guarantor, pursuant to which, the Company conditionally agreed to subscribe for the Note in the principal amount of HK\$250,000,000 with a coupon rate of 4.80% per annum. The maturity date is the third anniversary date after the date of completion on which the Note is issued.

On the same date, the Company entered into the Strategic Cooperation Framework Agreement with the Guarantor whereby the Company and the Guarantor agreed to strengthen the cooperation in relation to business activities and opportunities in property development, project construction and production of pre-cast materials in the PRC.

The subscription for the Note constitutes financial assistance to be provided by the Company to the Issuer falling within the meaning of Rule 14.04(1)(e) of the Listing Rules. In addition, as one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the subscription for the Note under the Note Subscription Agreement exceed 100%, the entering into of the Note Subscription Agreement is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

A circular containing, among other things, detailed information in respect of the Note Subscription Agreement will be despatched to the Shareholders for their information on or before 30 April 2015 together with a notice of the SGM and the related proxy form.

Completion of the Note Subscription Agreement is subject to the fulfilment of certain conditions precedent, accordingly the subscription for the Note may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares or other securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 23 April 2015, the Company entered into the Note Subscription Agreement with Mingzhu Construction Engineering Group (Hong Kong) Limited*, as the Issuer, and Mingzhu Construction Engineering Co., Ltd.*, as the Guarantor, pursuant to which, the Company conditionally agreed to subscribe for the Note in the principal amount of HK\$250,000,000 with a coupon rate of 4.80% per annum. The maturity date of the Note is the third anniversary date after the date of completion on which the Note is issued.

On the same date, the Company entered into the Strategic Cooperation Framework Agreement with the Guarantor whereby the Company and the Guarantor agreed to strengthen the cooperation in relation to business activities and opportunities in property development, project construction and production of pre-cast materials in the PRC.

PRINCIPAL TERMS OF THE NOTE SUBSCRIPTION AGREEMENT AND THE NOTE

Subscription price

The subscription price of the Note payable by the Company is HK\$250,000,000, being 100% of the principal amount of the Note, and will be paid by the Company upon completion of the Note Subscription Agreement by utilising its existing cash resources. The subscription price was determined after arm's length negotiations between the Company and the Issuer. The Note is guaranteed by the Guarantor and is not transferable.

Interest rate

The Note will bear interest at the rate of 4.80% per annum. The interest will be payable by the Issuer semi-annually in arrears.

Conditions precedent

Completion of the Note Subscription Agreement is conditional upon the satisfaction (or, if applicable, waiver) of the following conditions:

- (a) completion of the subscription agreement dated 9 February 2015 entered into between the Company and China Minsheng Jiaye Investment Co., Ltd. in accordance with the terms thereof (and details of the subscription agreement are contained in the announcement of the Company dated 9 March 2015);
- (b) the passing of a resolution by the Company at the SGM to approve the entering into of the Note Subscription Agreement and the transactions contemplated thereunder;
- (c) the representations and warranties of the Issuer and the Guarantor in the Note Subscription Agreement are true in all material respects;
- (d) no default is outstanding or would result from the completion of the Note Subscription Agreement; and
- (e) no customary and industrial material adverse event has occurred.

As at the date of this announcement, none of the above conditions is fulfilled. For the avoidance of doubt, further information of the reasons for the completion of the Note Subscription Agreement being subject to the satisfaction of condition (a) above is set out under the paragraph headed “Reasons for and benefits of the Note Subscription Agreement and the Strategic Cooperation Framework Agreement” below.

Completion

Completion would take place on the date when all the conditions precedent have been satisfied or otherwise waived and should not be later than 31 August 2015.

Guarantee

The Guarantor agrees to guarantee to the Company the punctual performance by the Issuer of all its obligations under the Note Subscription Agreement and the terms and conditions of the Note and that, unless all amounts which may be or become payable by the Issuer under or in connection with the Note Subscription Agreement have been irrevocably paid in full, amongst others, the rights of the Guarantor will be subrogated to any rights, security or moneys held, received or receivable by the Company.

Maturity date

The maturity date is the third anniversary date after the date of completion on which the Note is issued.

Redemption

At any time commencing from twelve months after the date of completion, the Company or the Issuer may, by giving not less than three months' notice, request for early redemption of the Note in whole (but not in part), or, on and at any time after the occurrence of an event of default specified in the terms and conditions of the Note prior to the maturity date, the Company may by notice to the Issuer demand that the Note should immediately be redeemed by the Issuer.

PRINCIPAL TERMS OF THE STRATEGIC COOPERATION FRAMEWORK AGREEMENT

Pursuant to the Strategic Cooperation Framework Agreement, the Company and the Guarantor should consider each other as a strategic cooperation partner and should strengthen the cooperation in relation to business activities and opportunities in property development, project construction and production of pre-cast materials in the PRC. The term of the Strategic Cooperation Framework Agreement is three years which can be extended by mutual agreement.

Pursuant to the Strategic Cooperation Framework Agreement, the Guarantor agrees to offer the most favorable prices, and to give priorities to the arrangement of construction and engineering professionals and experts, for the construction of the Company's future real property development projects in the PRC, including the production of pre-cast units and materials.

The terms and conditions of the cooperation to be reached under the Strategic Cooperation Framework Agreement should be fair and reasonable and be determined after arm's length negotiations between the Company and the Issuer.

INFORMATION OF THE COMPANY, THE ISSUER AND THE GUARANTOR

The Company is an investment holding company and the principal businesses of the Company and its subsidiary include property development and investment.

The Issuer is a construction company whose principal businesses include project construction, engineering, project management and decoration in Hong Kong.

The Guarantor is a large-scale construction company and holds the entire issued share capital of the Issuer. The Guarantor was established in 1978 and its principal businesses include construction and engineering, decoration and reconfiguration, foundation structuring and other specialised construction and technical service. The Guarantor, with its headquarters based in Fuzhou City, has branches in a few provinces and cities in the PRC, including Shaanxi Province, Shanxi Province, Lanzhou City and Xiamen City.

The Issuer, the Guarantor and their ultimate beneficial owners are independent of and not connected with the Company and its connected persons. None of the Issuer, the Guarantor or their ultimate beneficial owners is a shareholder of the Company.

REASONS FOR AND BENEFITS OF THE NOTE SUBSCRIPTION AGREEMENT AND THE STRATEGIC COOPERATION FRAMEWORK AGREEMENT

As mentioned in the Company's announcement dated 9 March 2015 in relation to, among other things, the subscription of new shares and convertible bonds of the Company, the Company plans to utilize part of the net proceeds to be raised therefrom to make further investments in property projects, including projects that could facilitate its development in the upstream property development sector and the building of its capability in the production of pre-cast units and materials in various regions in the PRC such as Guangdong Province, Shanghai Municipal City, Jiangsu Province and Zhejiang Province. Hence, the Company has been seeking to establish strategic alliances with construction company(ies) that would better commit resources to support the Company's proposed property related projects and would offer commercially favourable and competitive terms to the Company in terms of the construction services to be provided by it to the Group.

In view of the above, the Directors consider that it is critical to the success of the Company's future business to develop strategic cooperation with a construction company and solidify the relationship with it. The Directors consider that the subscription for the Note to be issued by the Issuer and the strategic cooperation with the Guarantor will enable the Company to achieve this and is also an alternative way to assure the Company of a priority in securing construction service supplier at a competitive cost and to ensure its commitment and support to the Company's property projects, including projects in the upstream property development sector. Such commitment in the form of prioritizing resources, timely delivery and better quality control is of substantial benefits to the Company's business and will allow the Company to improve its profit margin and enhance customer satisfaction. Therefore, the Note Subscription Agreement is aimed at facilitating the future plans and development of the Group contemplated by the entering into of the subscription agreement of the Company dated 9 February 2015 as mentioned in condition (a) in the sub-paragraph headed "Conditions precedent" under the paragraph headed "Principal terms of the Note Subscription Agreement and the Note" above. The completion of the Note Subscription Agreement is therefore conditional upon the completion of the subscription agreement of the Company dated 9 February 2015.

The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Note Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The subscription for the Note constitutes financial assistance to be provided by the Company to the Issuer falling within the meaning of Rule 14.04(1)(e) of the Listing Rules. In addition, as one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the subscription for the Note under the Note Subscription Agreement exceed 100%, the entering into of the Note Subscription Agreement is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

GENERAL

A circular containing, among other things, detailed information in respect of the Note Subscription Agreement will be despatched to the Shareholders for their information on or before 30 April 2015 together with a notice of the SGM and the related proxy form.

Completion of the Note Subscription Agreement is subject to the fulfilment of certain conditions precedent, accordingly the subscription for the Note may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares or other securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Board”	the board of directors of the Company
“Company”	South East Group Limited, a company incorporated in Bermuda and the shares of which are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“Guarantor”	Mingzhu Construction Engineering Co., Ltd.* (名築建工集團有限公司), a company established under the laws of the PRC with limited liability
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“Issuer”	Mingzhu Construction Engineering Group (Hong Kong) Limited* (名築建工集團(香港)有限公司), a company incorporated under the laws of Hong Kong with limited liability

“Listing Rules”	the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange (and a “Rule” means a rule of the Listing Rules)
“Note”	the guaranteed note in a principal amount of HK\$250,000,000 due 2018 of the Issuer to be created and issued to the Company pursuant to the Note Subscription Agreement
“Note Subscription Agreement”	the subscription agreement dated 23 April 2015 entered into between the Company, the Issuer and the Guarantor in relation to the subscription for the Note
“PRC”	the People’s Republic of China which, for the purposes of this announcement only, excludes Hong Kong, Macau and Taiwan
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, to approve, among other things, the entering into of the Note Subscription Agreement and the transaction contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders(s)”	person(s) registered in the books of the Company as the holder(s) of Share(s) for the time being
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strategic Cooperation Framework Agreement”	the strategic cooperation framework agreement dated 23 April 2015 entered into between the Company and the Guarantor
“%”	per cent.

By Order of the Board
South East Group Limited
Yeung Chun Wai, Anthony
Chairman and Executive Director

Hong Kong, 23 April 2015

As at the date of this announcement, the Board comprises six Directors, namely Mr. Yeung Chun Wai, Anthony (Chairman), Mr. Chen Domingo (Deputy Chairman) and Mr. Chan Chi Yuen as executive Directors; Mr. Lee Chi Ming, Mr. Chan Chi Hung, Anthony and Mr. Jiang Hongqing as independent non-executive Director.

** For identification purposes only*