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SOUTH EAST ASIA WOOD INDUSTRIES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(website: <http://www.seawood.com.hk>)

LOAN AGREEMENT, A POSSIBLE ACQUISITION AND A POSSIBLE ISSUE OF CONVERTIBLE BONDS

South East Asia Wood Industries Holdings Limited (**“Company”**), has on 21 May, 2001 entered into a loan agreement (**“Agreement”**) with Keentech Group Limited (**“Lender”**), pursuant to which the Lender agreed to make available to Maxpower Resources Limited (**“Borrower”**), an indirect wholly owned subsidiary of the Company, a loan up to the principal amount of HK\$1,000,000,000 (**“Facility”**). The Company is the guarantor of the Borrower's liabilities under the Agreement.

The Facility shall only be used for funding an investment opportunity by the Borrower as stated in the Agreement (**“Proposed Investment”**).

The Lender and the Company will also enter into negotiations with a view to entering into a conditional subscription agreement (**“Subscription Agreement”**) for the issue of convertible bonds (**“Bonds”**) by the Company to the Lender on terms to be agreed. The Bonds are expected to be in the aggregate principal amount of HK\$1,000,000,000 and, subject to the signing and completion of the Subscription Agreement, the principal amount due under the Agreement (**“Loan”**) will be discharged and settled by applying such amount in and towards satisfaction of the consideration payable by the Lender under the Subscription Agreement.

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Negotiation on the Proposed Investment is at a preliminary stage. The Proposed Investment and/or the Subscription Agreement for the issue of the Bonds may or may not materialise. In the meantime, shareholders and investors are advised to exercise extreme caution when dealing in the shares of the Company.

At the request of the Company, trading in its shares (“**Shares**”) on the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) was suspended with effect from 10:00am on 22 May, 2001. An application has been made to the Stock Exchange for the resumption in the trading of the Shares with effect from 10:00am on 25 May, 2001.

LOAN AGREEMENT DATED 21 MAY, 2001

The Loan

Lender:

Keentech Group Limited, a company incorporated in the British Virgin Islands and a holder of approximately 9.43% of the issued share capital of the Company, is an indirect wholly-owned subsidiary of China International Trust and Investment Corporation, the People's Republic of China (“**CITIC**”) and is an independent investor not connected and not acting in concert with any of the directors (“**Directors**”), chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”)).

Borrower:

Maxpower Resources Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company.

Guarantor of Borrower's liabilities:

The Company.

Amount of Facility:

Up to the maximum principal amount of HK\$1,000,000,000.

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Loan mechanism and interest:

The Loan (or any part thereof) may be drawn down pending application for the purpose of the Proposed Investment should it materialise. Upon being drawn down, the Loan (or any part thereof) shall be deposited in a designated bank account mutually agreed between the Borrower and the Lender. Any bank interest earned on such part of the Loan as a result of any such deposit shall be shared between the Borrower (which will be entitled to bank interest earned within the first 30 days from the first draw-down date) and the Lender (which will be entitled to any remaining bank interest earned thereafter). In the event that the Loan (or any part thereof) is drawn down and not applied for the purpose of the Proposed Investment, (i) no interest shall be charged on the Loan subject to the sharing of bank interests as disclosed above; and (ii) the Loan is subject to repayment on demand as disclosed in the paragraph headed "Repayment" below. If, concurrently, (i) the Subscription Agreement is not entered into on or before 15 July, 2001; and (ii) any part of the Loan shall be applied for the purpose of the Proposed Investment, then interest at the annual rate of 6% shall be charged on such part of the Loan which shall have been so applied as from the date of such application. Such interest rate was arrived at through arm's length and commercial negotiation between the Company and the Lender.

Repayment:

Subject to the terms of the Agreement, the Loan is repayable by the Borrower on demand subject to the Lender giving not less than three business days' prior written unconditional demand notice. Upon the signing and completion of the Subscription Agreement, if any, the Loan will be discharged and settled by applying such amount in and towards satisfaction of the consideration payable by the Lender under the Subscription Agreement.

Purpose of the Loan:

The Facility shall only be used for funding the Proposed Investment by the Borrower as stated in the Agreement or, pending such usage, be placed in a designated bank account mutually agreed between the Borrower and the Lender. **Negotiation on the Proposed Investment is at a preliminary stage, and the Proposed Investment may or may not materialise. In the meantime, shareholders and investors are advised to exercise extreme caution when dealing in the shares of the Company.** The Company will comply with all relevant requirements under the Listing Rules as may be applicable in the event that the Proposed Investment should materialise and constitute a notifiable transaction under the Listing Rules. The Proposed Investment, should it materialise, will be conditional upon the Company obtaining adequate and satisfactory financing for its funding.

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Subscription Agreement for the Bonds:

The Lender and the Company will enter into negotiations with a view to entering into the Subscription Agreement for the issue of the Bonds to the Lender on terms to be agreed. The Bonds are expected not to be listed and expected to be in the aggregate principal amount of HK\$1,000,000,000 and the Loan is expected to be discharged and settled by applying such amount in or towards satisfaction of the consideration payable by the Lender under the Subscription Agreement. Subject to the final terms of the Subscription Agreement and depending on the conversion size of the Bonds, the approval of the Company's shareholders for the Subscription Agreement for the issue of the Bonds may or may not be required. Should such shareholders' approval be required, the issue of the Bonds would be conditional upon such approval being obtained. The Company will comply with all relevant requirements under the Listing Rules as may be applicable in the event that the issue of the Bonds should proceed. **Shareholders and investors should note that the Subscription Agreement for the issue of the Bonds may or may not materialise, and are advised to exercise extreme caution when dealing in the shares of the Company.**

Appointment of Director:

The Board also announced that Mr. Tian Yuchuan was nominated by CITIC and appointed as an executive director of the Company as from 27 April, 2001.

Suspension and resumption of trading:

At the request of the Company, trading in its Shares on the Stock Exchange was suspended with effect from 10:00am on 22 May, 2001. An application has been made to the Stock Exchange for the resumption in the trading of the Shares with effect from 10:00am on 25 May, 2001.

By Order of the Board
**South East Asia Wood
Industries Holdings Limited**
Peter Kwok Viem
Chairman
Date: 24 May, 2001, Hong Kong